

# EXHIBIT 1

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**Opinions on XPO's Activities and Responsibilities**

**in the Case of**

**Great Southland Limited**

**v.**

**Landash Corporation, *et al.***

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**By David Steven Jacoby**

**June 14<sup>th</sup>, 2021**

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# **1 Introduction**

## **1.1 Brief Executive Summary**

I was asked to offer an analysis and an opinion, based on my background and experience in supply chain management, as to whether and to what degree XPO may have been responsible for the actions of Afif Baltagi, in his capacity as XPO's Branch Manager of XPO's Houston, Texas facility, in the Ponzi scheme orchestrated by Jason Adkins.

I reviewed the prior testimony made available to me by Carlile Patchen & Murphy LLP, which consisted of over 14,000 pages. I consulted some of my prior client files, and did a small amount of research on certain aspects of the case, XPO, and Great Southland (GSL).

Based on my review and my experience, it is my opinion that, Baltagi's duties and responsibilities as Branch Manager included having direct communications with the customers and coordinating all aspects of the supply chain management service XPO was providing at its Houston facility. Such supply chain management service includes receipt of goods for a customer, holding of goods for a customer, release of goods for customers, communicating with third parties regarding the status of the goods shipment, arrival, inspection, and release expectations, and executing documents, such as warehouse receipts and other day-to-day contracts or agreements, relative to the supply chain services XPO was providing. Baltagi's duties would also include coordinating with vendors as needed to fulfill the supply chain services XPO was offering. These services were all being performed by Baltagi in the course and scope of his job duties as XPO's Branch Manager in the tire transactions that formed the basis of the Ponzi Scheme that defrauded Great Southland Limited, and many others.

Furthermore, although certain XPO employees may or may not have conspired with Baltagi, the company's lack of clear organizational roles and responsibilities, inadequate safeguards, imbalanced incentives and measurements, lack of Human Resource (HR) development and training, and inadequate supervision created an environment that provided a ripe breeding ground for such fraud and conspiracy. Most comparable organizations deploy a range of practices and procedures that would have caught onto Baltagi's actions earlier, and mechanisms that would have mitigated the cost to the victims. Industry best practices may have prevented the fraud altogether.

## **1.2 My Professional Background**

I have been consulting for 32 years in supply chain management, operations strategy and performance improvement, primarily in the transportation, logistics, energy, and automotive sectors. Much of my work has consisted of benchmarking and industry best practices studies. My clients have included transport and logistics companies such as UPS, FedEx, Iron Mountain, CSX, Jacksonville Port Authority, and Amtrak, as well as shippers including A.T. Cross, Mercedes-Benz, and General Motors. I've also consulted to information systems providers such

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as SAP, and government agencies such as the U.S. Department of Transportation and the New York City Housing Authority.

Before founding Boston Strategies International, I served as a consultant in the logistics, transportation, procurement, operations management, and supply chain management practices of management consulting firms including Kearney, Temple Barker & Sloane (now Oliver Wyman) and a boutique firm called Carlisle, Fagan, Gaskins & Wise. I also taught Operations Management at Boston University's graduate school of business.

I wrote *Guide to Supply Chain Management* (The Economist, 2009) and other books on supply chain management, logistics and trade. I also wrote both the Shippers Compliance in Freight Transportation & Logistics and the Carrier Compliance in Freight Transportation & Logistics chapters for the Governance, Risk, and Compliance Handbook (Tarantino, 2006), and have contributed several hundred speeches, articles, white papers, and webcasts for publications such as Supply Chain Management Review, Supply Chain Quarterly, and the Transportation Research Board.

My supply chain certifications include: Certified Fellow in Production and Inventory Management (CFPIM), Certified Supply Chain Professional (CSCP), Certified in Integrated Resource Management (CIRM), Certified in Purchasing Management (Lifetime C.P.M.), and Certified in Transportation and Logistics (C.T.L.), among others.

### **1.3 Retention for This Matter**

I was retained by Carlile Patchen & Murphy LLP in March 2021. I am compensated at a rate of \$550 per hour. The fees I receive are not contingent on the outcome of this litigation. To my knowledge there is no conflict of interest between my work on this case and any other work I am doing or have ever done.

### **1.4 Materials Reviewed**

The electronic files conveyed to me regarding this case were as follows:

1. 12-16-20 Komsky+Exhibits.pdf (Komsky deposition)
2. 13574-13655.pdf (Baltagi W2)
3. 13733.pdf (Baltagi contractor termination letter)
4. 14805-14819.pdf (Baltagi-Paladin email thread)
5. 14949.pdf (Baltagi-Great Southland email)
6. 15230-15239.pdf (Baltagi-Paladin tire serial number emails)
7. 16148-16150.pdf (Baltagi-Paladin tire serial number emails)
8. 48619-49370.pdf (XPO Employee Code of Conduct)

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9. Adkins, Jason (7-22-2019).pdf (Adkins deposition)
10. Allen, Joshua + EXH 12-10-2019.pdf (Allen deposition)
11. Baltagi, Afif (8-5-20).pdf (Baltagi deposition)
12. Baltagi File (02385408x9D84A).pdf
13. Carlos Musetti 10-01--2019.pdf (Musetti deposition)
14. Cesar Bernal 10-01-2019.pdf (Bernal deposition)
15. Complaint 08-15-2017.pdf (Great Southland complaint)
16. DE UCC Financing Statement on Landash Corporation (01649906x9D84A).PDF
17. DE UCC Financing Statement on XPO Logistics, Inc. (01649905x9D84A).PDF
18. DE UCC on Landash Corporation (2016 6951584) (01741238x9D84A).PDF
19. DE UCC on XPO Logistics, Inc. (2016 6951824) (01741239x9D84A).PDF
20. Deposition of Todd L. Wilkin on 01-12-2018 (02245735x9D84A).PDF (Wilkin deposition)
21. EX. 8 - Affidavit.pdf (Baltagi confirmation of serial numbers)
22. EX3\_Loan Agreement.PDF (Great Southland Loan Agreement to Landash)
23. EX4\_Guarantee.PDF (Jason Adkins guarantor agreement with Great Southland)
24. EX5\_Security Agreement.PDF (Great Southland Security Agreement with Landash)
25. EX6\_Statement of Account.PDF (Great Southland account statement for Landash)
26. EX7\_Invoice.PDF (Best One Bill of Sale to Great Southland)
27. EX8\_Work Order.PDF (Best One Invoice to Great Southland)
28. EX9\_ Warehouse Receipt.PDF (XPO Receipt for 36 tires from Great Southland)
29. Exhibit A - GSL's Memo Contra to XPO's Objection.pdf
30. First Amended Complaint.pdf (Great Southland v Landash et al)
31. Friedman, Katherine + Exhibits
32. Hodgson Volume 1 + Exhibits.pdf (Hodgson deposition)
33. Hodgson Volume 3 + Exhibits.pdf (Hodgson deposition)
34. Hodgson Volume 2 + Exhibits.pdf (Hodgson deposition)
35. Jorgensen, Henrik (10-15-2019).pdf (Jorgensen deposition)
36. Landash Corp Bank Statements
37. Muzi, Dominic (8-12-19).pdf (Muzi deposition)
38. Oliver, Ian (8-26-2019).pdf (Oliver deposition)
39. Santo, Susan (9-26-2019).pdf (Santo deposition)
40. Shook, Max (8-22-2019).pdf (Shook deposition)
41. TX UCC Amendment on Landash Corporation (16-0011181423) (01651235x9D84A).PDF
42. TX UCC Amendment on Landash Corporation (16-00116672) (01662104x9D84A).PDF
43. TX UCC Amendment on XPO Logistics, Inc. (16-0011181544) (01651238x9D84A).PDF
44. TX UCC Amendment on XPO Logistics, Inc. (16-00116671) (01662102x9D84A).PDF
45. TX UCC Financing Statement on Landash Corporation (16-0011181423) (01651222x9D84A).PDF
46. TX UCC Financing Statement on XPO Logistics, Inc. (16-0011181544) (01651218x9D84A).PDF

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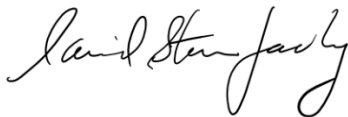
- 47. XPOAB00013578\_CONFIDENTIAL (02385411x9D84A).xlsx (XPO payments to Baltagi)
- 48. XPOAB00013579\_CONFIDENTIAL (02385412x9D84A).xlsx (Baltagi performance reviews)

In addition, I referenced various websites and publicly available online documents, such as XPO's 2020 10-K.

## 1.5 Citation Formats and Report Updation

For clarity this report cites references to deposition and other discovery material where such references may be useful. For brevity I inserted these citations parenthetically using the format "(Deponent's Name or source file name, page number of the pdf source file)," for example (Komsky, 32). Unless these references apply to a specific sentence or phrase, I placed them at the end of paragraphs for easier readability. If multiple citations apply to the paragraph I used a semicolon to separate them, for example (Musetti, 11; Hodgson, 117). External references are cited as footnotes.

I reserve the right to supplement this report should new information become available to me.

A handwritten signature in black ink, reading "David Steven Jacoby". The signature is written in a cursive, flowing style.

David Steven Jacoby



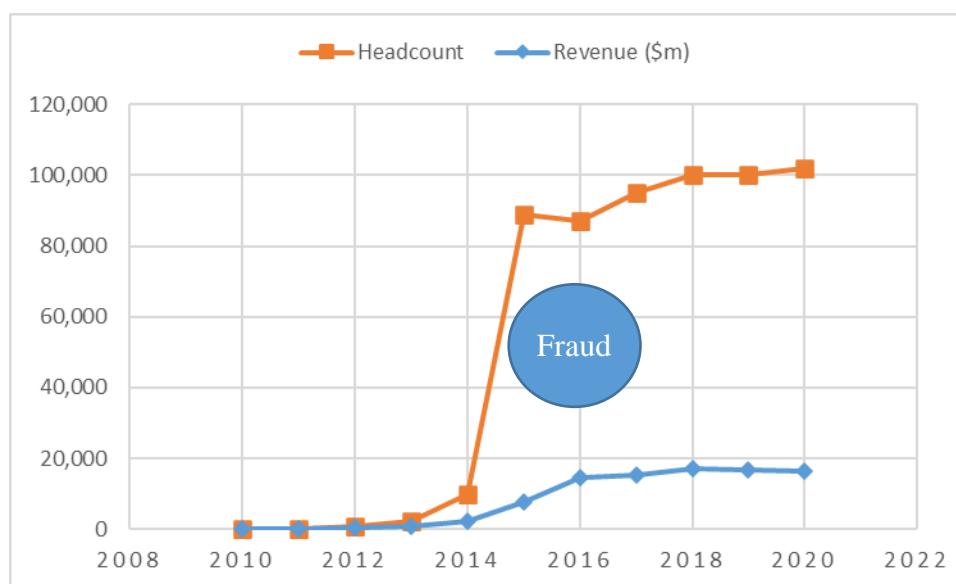
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## 2 Assessment of the Culpability of XPO in the Great Southland Fraud

### 2.1 Extended Executive Summary

XPO underwent a massive roll-up between 2012 and 2014 that increased headcount from 227 to 89,000. Controls that had previously been in place were not replaced with suitable management of the rolled-up entities.

**Figure 1: XPO Logistics Headcount and Revenue Over Time**



Source: Macrotrends<sup>1</sup>

The management environment was characterized by a lack of structure including ambiguous roles and responsibilities. Some might explain it as “entrepreneurial” and linked to the company’s aggressive growth-by-acquisition strategy. While weak controls might have been forgiven when the company was privately held and had 227 employees in 2011 or 892 in 2012, the lack of controls exposed the company and its customers to significant risks to shareholders once the company listed on the NYSE in June 2012,<sup>2</sup> and especially as it grew to 2,259 staff in

<sup>1</sup> Employee headcount: <https://www.macrotrends.net/stocks/charts/XPO/xpo-logistics/number-of-employees>; Revenue: <https://www.macrotrends.net/stocks/charts/XPO/xpo-logistics/revenue>

<sup>2</sup> United States Securities and Exchange Commission, Form 8-K. June 8, 2012. <http://edgar.secdatabase.com/170/119312512265382/filing-main.htm>

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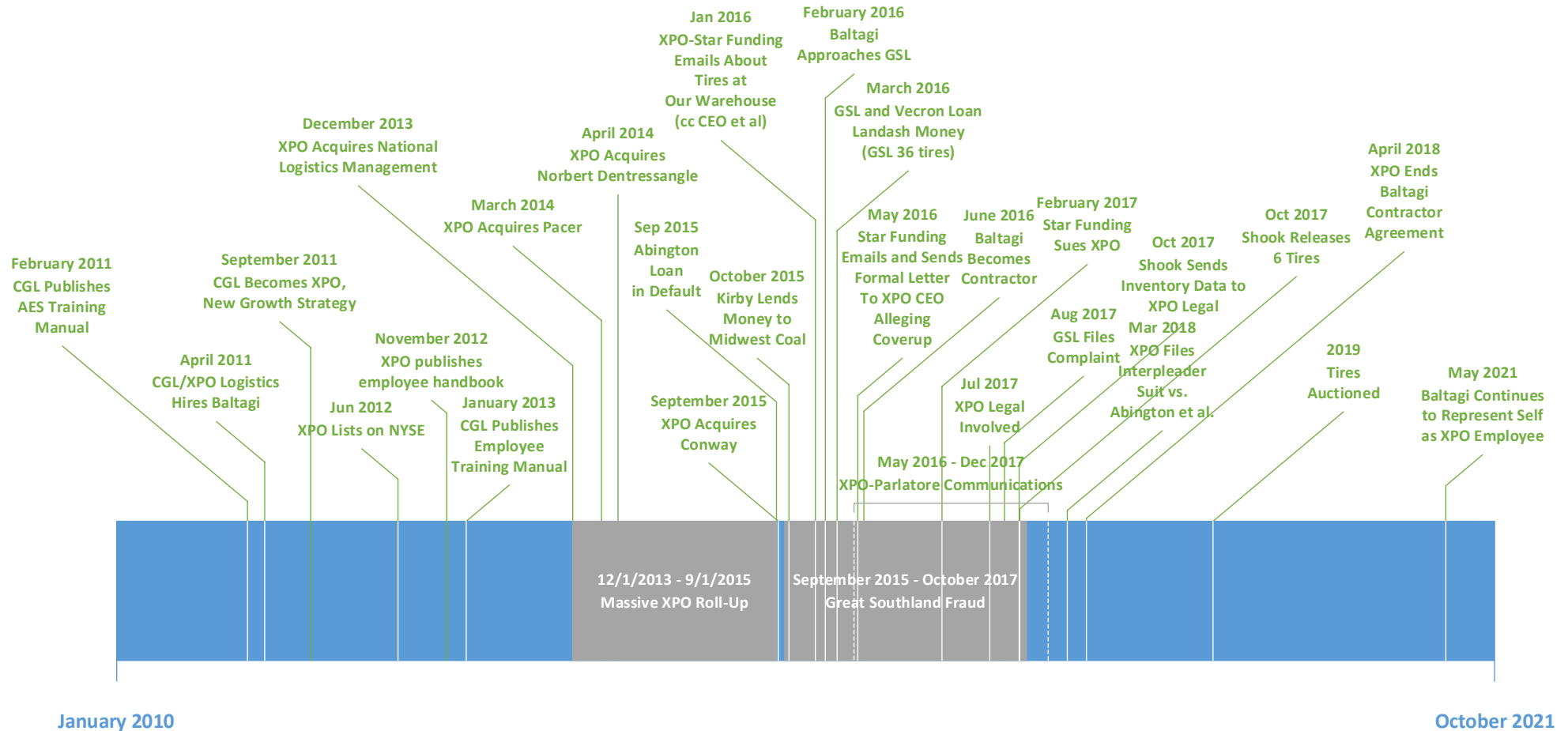
2013, 10,000 employees in 2014, and 89,000 in 2015 following the acquisitions of Pacer, Norbert Dentressangle, Conway, and 14 other companies.<sup>3</sup>

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<sup>3</sup> “XPO Logistics: Fast growth through acquisitions and management style.” Westchester and Fairfield County Business Journal. By Kevin Zimmerman. November 17, 2017.

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Figure 2: Timeline of Events



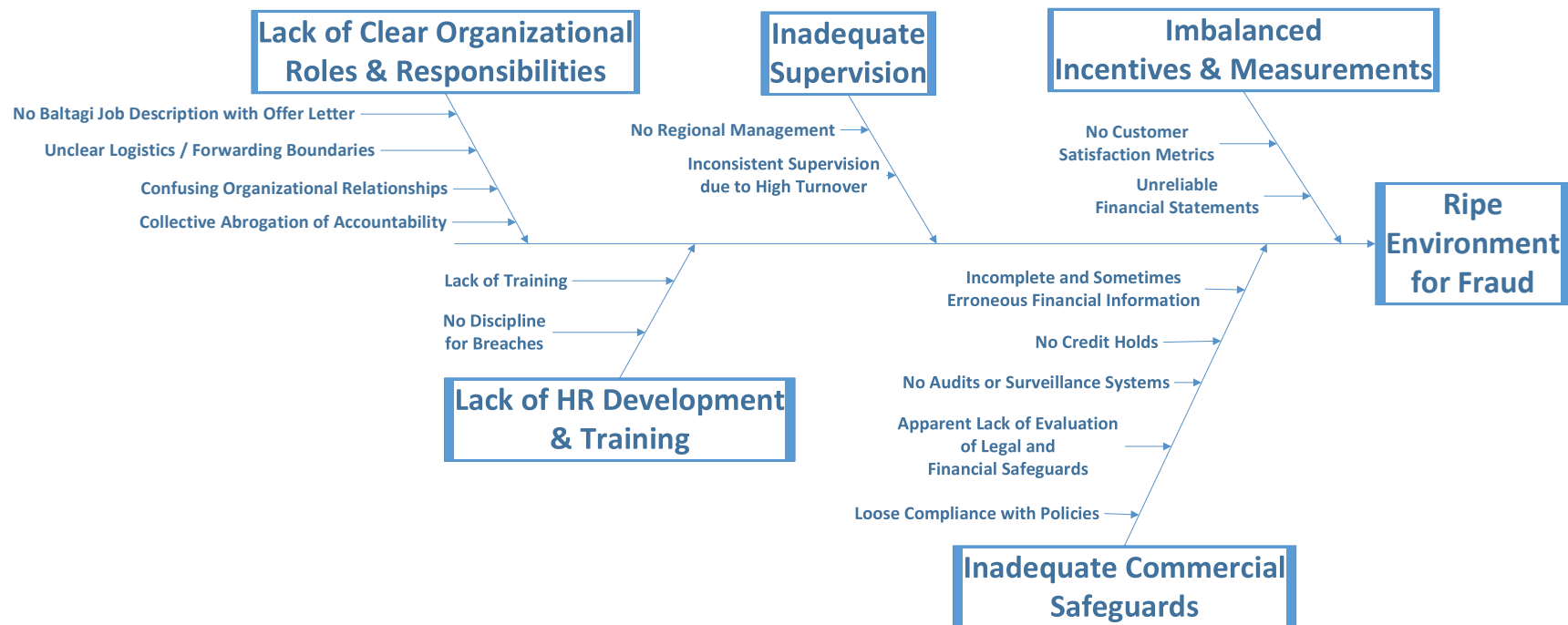
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In the timeframe during which the fraud was perpetrated, Afif Baltagi was able to facilitate a fraud using XPO as cover because of XPO's lack of clear organizational roles and responsibilities, inadequate safeguards, imbalanced incentives and measurements, lack of Human Resource (HR) development and training, and inadequate supervision of the Houston branch led to a fertile ground in which dishonest employees and fraudsters could prosper there.

Furthermore, based on the fact that Max Shook released tires to Adkins in October 2017, and that XPO communicated closely with Parlato while practically ignoring Star Funding between May 2017 and December 2017, and the extensive log of documentary evidence between during that same period that was withheld by XPO legal due to privilege (Jorgensen pp 826-852), and the fact that XPO never appears to have investigated or taken any disciplinary action against Baltagi or anyone else for failure to stop the fraud even to the current day, it seems that XPO effectively facilitated role Adkins' Ponzi scheme, at least through its inaction.

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**Figure 3: XPO's Management, Training, Measurements and Controls During the Roll-Up Period**



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**2.2 Lack of Clear Organizational Roles and Responsibilities****2.2.1 No Job Description with Baltagi's Offer Letter**

Baltagi's offer letter was apparently delivered without a job description for the Branch Manager position (Baltagi, p. 59). This introduced ambiguity from the start, perhaps deliberately, around the company's view of his role and responsibilities, and it might at least partly explain why former employees have criticized the company for "unprofessionalism, lies, cheating contractors of owed money, [and] disorganization...Getting hired is easy. All that you need is a GED and no experience."<sup>4</sup>

**2.2.2 Unclear Logistics / Forwarding Boundaries**

The website and general company positioning seemed unclear about, or even deliberately blurry, on the distinction between Logistics and Forwarding, to the extent that customers (like GSL) and vendors (like Roadmaster) didn't know the difference between XPO Global Logistics and XPO Global Forwarding. (Musetti, 11; Hodgson, 117)

Executives in charge of Global Forwarding didn't know whether or not the organization was a separate legal entity from XPO Logistics, which has ramifications for cargo liability, so they should know. Komsky says that Forwarding and Logistics are not separate legal entities (Komsky, 30), but according to the company's SEC filings XPO Global Forwarding Inc. is a subsidiary<sup>5</sup> At one point he characterizes XPO Global Forwarding as a cost center, which is typically different than a for-profit legal subsidiary.

The name "XPO Global Forwarding" seems to imply that the organization was a *freight forwarder*, implying that it issued a Bill of Lading for transport, takes possession of the goods, is responsible for in-transit storage, while XPO claims that the organization was doing nothing more than *brokering* cargo ("all we do is broker the cargo," said Komsky). (Komsky, 105)

At least at the time of the fraud, it seems that the operations were run without regard to distinction between Logistics and Forwarding. Baltagi's paychecks came from XPO Logistics Inc., none from Forwarding,. (Baltagi File (02385408x9D84A), 1). Also, email address protocols were the same across XPO entities. (Allen, 225)

Baltagi was not employed by XPO Global Forwarding, as Komsky claimed ("he was an employee of XPO Global Forwarding", per Komsky, 40). XPO Logistics, not XPO Global Forwarding, hired Baltagi and the documents conveyed contain no record of him being transferred to XPO Global Forwarding. (Baltagi File (02385408x9D84A), 23).

<sup>4</sup> Glassdoor.com, posted May 11, 2017. Last accessed June 14, 2021.

<https://www.glassdoor.com/Reviews/Employee-Review-XPO-Logistics-RVW15011980.htm>

<sup>5</sup> <https://www.sec.gov/Archives/edgar/data/1166003/000162828017001912/xpo201610-kexx21.htm>

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### 2.2.3 Confusing Organizational Relationships

Ian Oliver claimed he had only a “dotted-line” reporting relationship to Baltagi (Oliver, 67), but it’s not clear if anybody would describe their relationship as a solid-line one. One employee described XPO as disorganized and “understaffed.”<sup>6</sup>

By analogy, the agreement between XPO and RoadMaster was also ill-defined and implies that XPO was providing or at least managing the warehousing services, while RoadMaster was just providing square footage on its land. The XPO-RoadMaster relationship seems to rest on a warehouse lease agreement (Muzi, 811), which is an odd and insufficient basis for warehousing and storage services. In one recent client engagement, the client’s agreement for third party logistics services consisted of a 72-page Master Services Agreement including 53 pages of detail about operations and rates.

In my experience, dotted line relationships usually lead to ambiguity and lack of accountability. Dotted line relationships like Oliver’s to Baltagi should have been more clearly defined.

I have prepared organization charts, job descriptions, performance measurements, and RACI (Responsible, Accountable, Consulted, Informed) matrices, and workflows for dozens of clients over the years using much clearer and more descriptive formats for characterizing reporting relationships other than dotted lines. Their organizations function with far more accountability than exhibited at XPO’s Houston branch.

### 2.2.4 Collective Abrogation of Accountability

As a result of a high rate of turnover, low supervision, and priority on revenue growth over customer satisfaction, most managers seem to have let the others deal with problems, creating a collective abrogation of responsibility.

- Nobody ever responded definitively to Star Funding’s exasperated email looking for an answer and for documentary proof that Star owned the tires (Jorgensen, 71 and Exhibit 213)
- Nobody ever responded definitively to Brad Jacobs’ request to take care of the Star Funding problem or reply to Star Funding’s irate email. (Jorgensen, 71 and Exhibit 213)
- Henrik asked Afif to follow up re why the 12 tires disappeared, but Afif didn’t respond. (Jorgensen, 84)
- Afif referred them to Parlatore for more detail, and Henrik doesn’t know if anybody called Parlatore. (Jorgensen, 80)

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<sup>6</sup> Glassdoor.com, posted May 11, 2017

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- XPO Legal appears to take direction from Adkins and Parlatore adverse to GSL's interests. (Jorgensen, 849)

Moreover, procedures followed in the CEO's office seem to have instituted a systematic process to ignore customer problems and shield the CEO from legal accountability.

- The Assistant to the CEO systematically avoided sharing any legal correspondence with the CEO, enabling the CEO to maintain plausible deniability of all legal problems and the Legal Department to assert legal privilege over almost any documentary evidence. (Friedman 82)
- The Assistant to the CEO responded to emails using not her own name, but the CEO's email account, so the CEO could always say he wasn't responsible for any emails that came into or went out of his email box. (Friedman 18)
- The workflow of CEO communication was designed in a way that deliberately excluded follow-up, regardless of the importance of the matter (Friedman 74)

XPO had the mechanisms to deal with this situation, and there is no indication they invoked them. Here's what should have happened:

- Henrik should have called the whistleblower hotline (called out in the XPO code of conduct manual) in 2016 when Afif wouldn't provide a clear explanation of where the 12 tires went.
- XPO Legal should have asked the Audit Committee to establish an Internal Audit Committee to do KYC on all parties in 2016 and investigated all XPO employees for a potential role in the scheme.

Clear job descriptions, vendor contracts, and workflows with signature authorization help to clarify responsibilities and promote accountability. Leading companies like UPS and Toyota have also implemented Total Quality Management systems to assemble employee feedback and engage in continuous improvement.



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## 2.2.5 Baltagi's Role and Responsibilities

To understand Afif Baltagi's responsibilities in light of such undefined parameters, we need to look to industry practice. Based on XPO's claim that "he was an employee of XPO Global Forwarding" (Komsky, 40), we consider what his job function would have been at a typical freight forwarding company.

Per freight forwarding industry practice, Baltagi's duties and responsibilities as Branch Manager would have included having direct communications with the customers and coordinating all aspects of the supply chain management services that XPO was providing at its Houston facility. Such supply chain management service would have included receiving goods for a customer, holding goods for a customer, releasing goods for customers, communicating with third parties regarding the status of the goods shipment, arrival, inspection, and release expectations, and executing documents, such as warehouse receipts and other day-to-day contracts or agreements, relative to the supply chain services XPO was providing. Baltagi's duties would also have included coordinating with vendors as needed to fulfill the supply chain services XPO was offering. These services were all being performed by Baltagi in the course and scope of his job duties as XPO's Branch Manager in the tire transactions that formed the basis of the Ponzi Scheme that defrauded Great Southland Limited, and many others.

The fact that at least six XPO employees acknowledge Baltagi's role in coordinating shipments for the Adkins companies further confirms that Baltagi's customer-facing role was known and acknowledged within XPO, and XPO believes they are the ones providing the service for these tires – not Roadmaster. Therefore, managing end-to-end freight shipments including storage was clearly in the course/scope of Baltagi's employment.

1. Brad Jacobs is copied on a letter and email (in October 2015) about an agreement between XPO Global Logistics ("XPO") and Landash Texas LLC (Landash") and a Bill of Sale from Landash to EPK for title to 24 Goodyear tires.
2. Cindy Connor says to customers that "Afif is in charge of this inventory and all procedures, and contracts" (Baltagi, 265)
3. Henrik Jorgensen and Cindy Connor are copied on other Baltagi emails related to the release of certain Star Funding tires. Roadmaster is not referenced in this process.
4. Stephanie Jones from XPO's accounting department asked if XPO is still moving loads for Adkins company. (Baltagi, 333)
5. Susan Santo – XPO in-house legal counsel – reported that XPO charges \$800/month to hold the tires and will charge \$1,000 to move them out. Note here that XPO's counsel is not claiming this is Roadmaster's charge or that Roadmaster is doing anything. Again, XPO is providing the service and this is direct from their legal department. (Baltagi, 339)
6. Susan Santo tells Parlatore that XPO took direction from him and Adkins relative to Star. Nowhere does XPO's counsel say this is all on Roadmaster. This expressly states that XPO is taking direction from Adkins. (Baltagi, 343)

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7. Max Shook, Baltagi's supervisor, asked for other security agreements "we" signed relative to the tires. No point is made that this was not approved or outside the scope of the services or that there was anything inappropriate about that at all. (Baltagi, 511)
8. Susan Santo from XPO Legal details the process of releasing tires. "I've provided the serial numbers to Afif, and you can arrange any purchase inspection directly with him." Again, nothing in this implicates Roadmaster or suggests that what Afif was doing involved anything but him doing his job.
9. Afif emailed a number of people who may have been with XPO in 2015 regarding Star Funding advising no relation between XPO and Roadmaster – "we rent space from them...No relation." (Baltagi 825)

Other freight, logistics, and industrial companies have unique business plans, mission statements, and organizational structures for their subsidiaries. In fact, I have developed these for companies such as FedEx, UPS, Iron Mountain, and the air cargo divisions of Air Canada, American Air, British Air, Delta, KLM, Southwest, and Swissair, for example.

## **2.3 Inadequate Safeguards and Precautionary Processes**

The most striking management deficiency is the inadequacy of safeguards and precautions to prevent fraud. XPO seems to have been remiss in ensuring process safeguards concerning information integrity. Since a great deal of the information flows into financial reporting – shipments become revenue and withdrawals from inventory become liabilities, if not to XPO then to its customers in its duty of care – this sloppiness may constitute a violation of Section 404 of Sarbanes-Oxley, which was enacted in 2002 in response to widespread fraud including at Enron.

### **2.3.1 Apparent Lack of Legal and Financial Safeguards**

It's difficult to imagine there was ever an evaluation of safeguards, given the series of events that unfolded at XPO while this fraud played out. SOX 302c stipulates that the signing officers "have evaluated the effectiveness of the issuer's internal controls..." (SOX p33).

XPO's behavior and communications in this case seems to have taken place in an environment devoid of safeguards. For example, Max Shook authorized Beatriz Carmona at Roadmaster to allow Jason Adkins remove 26 tires on 11/9/17 (Shook, 239), unless XPO Legal XPO instructed him to do so, which would have been irresponsible, given that GSL filed a legal complaint about its interest in the tires in August 2017.

XPO could have had stronger governance in place but chose not to, according to an investor group called Spruce Point, which wrote in 2018: "Spruce Point has been following XPO Logistics (NYSE: XPO) for years, a transportation and logistics roll-up founded by Bradley

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Jacobs, co-founder of United Rentals (URI) which collapsed in an accounting scandal during his leadership.”<sup>7</sup> Another source elaborates:

*“CEO Jacobs has surrounded himself with a web of associates from his United Waste Systems and United Rentals days, companies where two of his former partners were convicted of accounting fraud and sent to jail. One recent XPO Director was sanctioned by FINRA, undisclosed to investors, for employing one of Jacob’s former partners that was sent to prison. XPO’s Audit Committee Director omits from his bio that he played a role in distributing securities related to Marc Drier’s \$700m Ponzi Scheme. In addition, XPO’s Director of Technical Accounting and Financial Reporting worked at KPMG and Xerox during a period both companies were charged by the SEC with fraud. These facts should give investors extreme caution.”*<sup>8</sup>

### 2.3.2 Incomplete and Sometimes Erroneous Financial Documentation

Documentation appears to have been systematically incomplete and erroneous.

Forms were improperly filled out, incompletely filled out, and shredded upon receipt, and this appears to have been acceptable at XPO. For example:

- Max Shook, Ian Oliver, and Dominick Muzi accept Baltagi’s vague, obtuse, and unclear emails, such as Conor’s email about “our warehouse” and Baltagi’s ambiguity while he gave XPO the runaround: “as I can recall there were 8 tires left from a year ago and nothing left.” (Muzi, 731)
- Nobody from XPO signed the form that converted Afif Baltagi from an employee to a contractor, according to the Allen deposition (page 162).
- Employees are unaware of any document retention policy. (Allen, 218)
- The Assistant to the CEO routinely shreds all hardcopy documents. (Friedman 34)

The incompleteness of emails and HR forms flowed through to financial information. The fact that half the monthly 2015 revenue figures in a year-end 2016 report were blank in a January 2016 branch report went unnoticed, giving the impression the branch was doing better than it was, and thereby avoiding closer scrutiny. (Jorgensen, 43-44, 806).

Accurate and thorough financial information would have caught the aging receivables problem and could have potentially revealed the Ponzi scheme even before Adkins applied to GSL for a loan in March 2016.

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<sup>7</sup> “XPO Logistics Inc.” Spruce Point Capital Management. Accessed June 14, 2021.

<https://www.sprucepointcap.com/xpo-logistics-inc/>

<sup>8</sup> “Why XPO Logistics Appears To Be Using A Nearly Identical Playbook To United Rentals, Which Was Charged With Accounting Fraud.” Seeking Alpha. Dec. 13, 2018.

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XPO could have produced more accurate information through CargoWise or ERP systems like Oracle, which have comprehensive finance and accounting functionality. SAP is in use at XPO. (Armstrong, 7)

### 2.3.3 Loose Compliance with Established Policies

There appears to have been a gap between the official code of conduct and the actual behavior. Based on Muzi's testimony, it seems that he's never read the company policy manual. (Muzi, 415-417). Catherine Friedman, Bradley Jacobs Chief of Staff, testified that she had never even seen XPO's Code of Business Ethics. (Friedman, 52) In addition, the controls described in XPO's Code of Conduct and Ethics manual do not seem to be respected, according to the testimony I reviewed. Indeed, Komsky testified that Baltagi violated several provisions of the Code of Ethics, without any consequence. (Komsky, 92)

### 2.3.4 No Audits or Surveillance Systems

As noted on page 284 of XPO's Fraud and Code of Business Conduct and Ethics Employee Handbook Rollout, November 19, 2012, fraud in the transport industry is a known problem. According to the surveys referenced in the talking points, transport and logistics companies are more than twice as likely to experience severe fraud as companies in other industries. Due to the known risk, transport and logistics providers are very accustomed to maintaining diligent physical, photographic, and electronic surveillance over their facilities, their workflows, and their employees. Background checks are treated very seriously. Facilities are monitored, inspected and audited. Employees are drug-tested. Electronic access privileges and permissions are systematically and periodically updated, downgraded, or de-permissioned. (48619-49370, 284)

The MOR (Monthly Operating Review) process was insufficient at detecting financial irregularities, and there appear to have been no audits to back the MOR process up. For example, Henrik Jorgensen never traveled to Houston to find out about the missing tires problem; his actions were limited to email. He also never asked anybody else in IAH about the problem, conducted no audits, and did not count any tires (Jorgensen, 124). This absence of surveillance or inspection allowed Baltagi to issue documents, alleged by XPO to be unauthorized, while not copying anybody else at XPO, and to bury financial discrepancies. Furthermore, the fact that XPO does not audit warehouse documentation or bills of lading (Muzi 52-56) provided a security flaw that Baltagi exploited.

More rigor around the MOR, including periodic audits by independent auditors from Corporate (outside the reporting chain of those involved in branch management), would have uncovered the A/R problem. Boston Strategies International teams frequently need access to office space at clients that are using PwC, KPMG, and other accounting firms for financial and SOX-related audits in the same facilities.

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If anybody at XPO had reviewed Baltagi's company emails when Star Funding sought its inventory accounting in January, 2016 and more important when they complained to Brad Jacobs in May of 2016, they should have uncovered the entire fraud, as it was largely perpetrated through his XPO email address. Spot-checking of emails should also have uncovered the fraud. There was evidence of something amiss in January but by May GSL made it clear to XPO that there was big trouble. That is when XPO needed to do a deep dive and investigate what was going on. Their failure to do so let others fall victim and ratified his acts. This should have included an audit of the Houston branch and tracking of the company emails of Baltagi and his chain of command.

Some of my clients' IT departments monitor company email flow to insure that there is management and oversight of the employees. Such monitoring of emails enhances customer service and roots out nefarious conduct of employees, including fraud.

In addition, software vendors such as IBM, SAS, and others offer contract and fraud intelligence platforms that use document analysis and monitor email flow and provide alerts. Any of those programs are available to XPO and should be utilized for fraud monitoring.

#### **2.3.5 No Credit Holds**

Max Shook did not put Midwest Coal on credit hold even after they defaulted (Shook, 126).

Then, even after the account was placed on credit card suspension, XPO management let Midwest Coal continue to place orders, accumulating a balance of \$41k that needed to be chased for payment. (Jorgensen, 50).

If XPO had shut down this account for failure to pay, it would have shut down the primary vehicle that was used for the GSL fraud, potentially preventing the entire crime.

## **2.4 Imbalanced Incentives and Measurements**

### **2.4.1 No Customer Satisfaction Metrics**

None of the 11 Key Performance Indicators (KPIs) on the Monthly Operating Review (MOR) measure customer satisfaction (although one metric, percent of shipments on-time, which is a common warehousing and logistics metric, gauges customer service levels).

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Figure 4: Branch Key Performance Indicators<sup>9</sup>

CGL Division Report Card 2014 - IAH															
	Status		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total/YTD
1a	Achieve Revenue	Actual 2014 - \$	171,559	249,915	275,896	0	0	0	0	0	0	0	0	0	697,370
		Budget - \$	225,000	235,500	264,500	275,000	310,000	320,000	365,000	415,000	395,000	395,000	400,000	400,000	725,000
		Actual vs Budget %	76.25%	106.12%	104.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	96.19%
1b	2014 Revenue vs 2013 Revenue	Revenue 2013 - \$	120,226	196,916	334,796	224,239	281,370	385,929	294,624	344,372	257,659	302,603	201,024	255,619	651,938
		Revenue 2014 vs 2013 - %	142.70%	126.91%	82.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	106.97%
		2014	16.34%	17.20%	7.72%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13.75%
2	Achieve GM %	2013	14.44%	14.45%	15.03%	15.88%	14.29%	15.42%	17.80%	17.26%	19.64%	18.15%	14.87%	13.45%	14.64%
		2014	101	92	74	0	0	0	0	0	0	0	0	0	267
3	# of Shipments	2013	32	35	69	129	75	142	116	92	115	93	103	90	136
		2014	20	23	25	0	0	0	0	0	0	0	0	0	68
4	# of Active Customers	2013	11	14	21	25	21	28	26	23	31	24	24	24	46
		2014	3	3	5										11
5	# of New Customers	NA													NA
6	% of Shipments on Time		98.31%	100.00%	97.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1
		International POD's - days	4	9	9	0	0	0	0	0	0	0	0	0	8
7	Days POD to Finalization	Domestic POD's - days	204	0	17	0	0	0	0	0	0	0	0	0	74
		Blank POD's - # of													N/A
		\$	249,605	271,689	240,274	0	0	0	0	0	0	0	0	0	N/A
8	AR Balances over 90 Days	% of total receivables	43.54%	41.01%	33.64%	-	-	-	-	-	-	-	-	-	
9	DSO Days		82	86	77	0	0	0	0	0	0	0	0	0	82
		Domestic Revenue	4.09%	9.75%	5.43%	-	-	-	-	-	-	-	-	-	6.42%
10	% Domestic Revenue vs %	International Revenue	95.91%	90.25%	94.57%	-	-	-	-	-	-	-	-	-	94%

**Key to Rankings**

1a Achieve Revenue Green - 100% + of budgeted number, Yellow - 95% to 99.9% of budget, Red - Less than 95% of budget

1b 2014 vs. 2013 Green - equal to or exceed 2013 revenue, Yellow - 95% to 99.9% of 2013 revenue, Red - Less than 95% of 2013 revenue

2 Achieve GM% Green - Equal to or exceed 2013 GP%, Yellow - Within 95% to 99.9% of 2013 GP%, Red - Less than 95% of 2013 GP%

3 Number of Shipments Green - 100% or more of 2013 shipments, Yellow - 95% to 99.9% of 2013 shipments, Red - Less than 95% of 2013 shipment

4 Number of Active Customers Green - Equal to or more customers than 2013, Yellow - 95% to 99% of 2013 customers, Red - Less than 95% of 2013 customers

5 # of New Customers Green - Top 1/3 of stations with new customers, Yellow - Middle 1/3 of stations for new clients, Red - Bottom 1/3 of stations for new clients

6 Shipments on Time Green - 98% on time plus, Red - Less than 98%

7 POD to Finalization Green - Top 1/3 of stations with finalization, Yellow - Middle 1/3 of stations for finalization, Red - Bottom 1/3 of stations for finalization

8 AR Balance over 90 Days Green - Top 1/3 of stations with AR over 90, Yellow - Middle 1/3 of stations for AR over 90, Red - Bottom 1/3 of stations for AR over 90

9 DSO Days Green - 42 days or less, Yellow - 43 to 45 days, Red - 46 days plus

10 % Domestic vs. International: No Ranking



Customer satisfaction is a key performance indicator of supply chain management effectiveness. The below scorecard from my book Guide to Supply Chain Management (The Economist, 2009) as two top-level results metrics of effective supply chain organizations.

<sup>9</sup> Jorgensen deposition, p. 687.



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Figure 5: Supply Chain Balanced Scorecard<sup>10</sup>

Supply chain balanced scorecard					12.1
PRIMARY RESULTS METRIC	ECONOMIC VALUE ADDED				
	Rationalisation: operating cost	Synchronisation: asset utilisation	Customisation: margin	Innovation: revenue	
SUBSIDIARY RESULTS METRIC	Net profit margin	Return on net assets (RONA)	Gross profit margin	Revenue growth	
	COGS Reduction in COGS Cost per unit Customer segment profitability Direct labour Direct product profitability Inbound freight Order fulfilment costs Order fulfilment lead times Outbound freight Overhead cost Total landed cost Total product costs Total supply chain management costs	FIXED ASSETS Asset turns Return on capital employed Asset utilisation Capital productivity Return on investment  WORKING CAPITAL Cash flow to sales FG inventory carry cost Inventory carrying cost Inventory value	Overall satisfaction Customer complaints	Revenue growth rate % of sales from products introduced in last 12 months % of total SKUs introduced in last 12 months Customer share NPI cycle time NPD cycle time Decrease in NPI cycle time Decrease in NPD cycle time	
PROCESS METRICS	% spend sourced in 2 years % spend outsourced % SKUs value-engineered Decrease in no. of parts per unit Inventory turns Cost per delivery Visibility to end customer Cost per ECO No. black belts at core suppliers % materials on consignment % excess cost designed in % transactions paperless	% production lines on JIT Frequency of S&OP meetings No. black belts on staff Frequency of sharing demand forecasts with suppliers Time since constraints review % SKUs on ELDP % perfect orders % peak % transactions via EDI or XML Standard deviation of delivery time Mean standard error % direct ship	% SKUs with house of quality % interaction history accessible % transactions with customer data % customers segmented % customers known profit % % prices dynamic % product line customised % product line personalised % transactions up-sale offered % transactions cross-sale offered Customer data integration? Time to flex up 20% Order to ready for shipment time On-time vs customer request time On-time delivery vs promise time Duration of late orders Response accuracy Response time to enquiries	Time to feedback test market information First prototype % of EVA % overlap design and engineering Stage of supplier involvement Stage of customer involvement Total marketing cost Response time from break point % SKUs via assortment planning % SKUs designed with supply chain involvement	

Source: Author. Compiled from experience and sources such as Bowersox (Logistics and Supply Chain Management), Carroll (Lean Performance ERP Project Management), Christopher (Logistics and Supply Chain Management), Cohen and Roussel (Strategic Supply Chain Management), Frazzelle (World-Class Warehousing presentation), Hugos (Essentials of Supply Chain Management), Lambert (Strategic Logistics Management), Mentzer (Handbook of Global Supply Chain Management), Monczka (Purchasing and Supply Chain Management, p. 202), Poirier (Business Process Management: Advanced Supply Chain Management, pp. 124, 146), Rudzki (Straight to the Bottom Line), Woods (Supply Chain Yearbook)

The singular focus on growth, and corresponding lack of attention to customer complaints, led to Star Funding's complaint and subsequent litigation getting buried, and was consistent with company behavior at the time, as evidenced by this reviewer on Glassdoor review:

*"This company was great when Con-Way Freight, then XPO cut staff extremely causing everyone to do the work of 2-3 people thus lowering customer service, causing more damaged freight and very angry customers, only cared about numbers and stock market and not employees and customers as Conway did. It is a shame they lost some very good managers, sales reps, and customer service reps who never missed a day and that were very accurate and dedicated to the business then made them do the job that for many years 2-3 people did was put onto 1 person, and lack of warehouse staffing caused to much of a hurry thus destroying the customers freight, body hoods come in looking like bumpers.. Shame on you XPO you are not an LTL freight company."*<sup>11</sup>

## 2.4.2 Unreliable Financial Statements

XPO may be at risk of failure to disclose legal and financial risks to investors, as the total amount of the GSL and related cases could total nearly \$40 million (assuming punitive

<sup>10</sup> Source: Jacoby, David Steven. Guide to Supply Chain Management. The Economist, 2009.

<sup>11</sup> Glassdoor.com, posted May 11, 2017

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damages), and the company has not mentioned it in its 2017, 2018, 2019 and 2020 10K reports. Disclosure may have raised concerns about the company apparently siding with fraudster Jason Adkins, which may have had lasting reputational impact.

Failure to disclose liabilities would be consistent with the firm's previous behavior, according to analysts. Spruce Point, the investor group mentioned previously, concluded that:

*"Based on our forensic investigation, we believe XPO is executing an identical playbook to URI – resulting in financial irregularities that conveniently cover its growing financial strain and inability to complete additional acquisitions despite repeated promises. Given its unreliable and dubious financials, \$4.7 bn debt burden, inability to generate sustaining free cash flow, and dependency on external capital and asset sales, we have a worst-case terminal price target of zero."*

The complete Spruce Point report can be found in Appendix A.

Most companies deploy independent SOX compliance audits to catch and purge unreliable data, including data on revenue at the shipment level, before it enters their financial statements.

## **2.5 Lack of HR Development & Training Processes**

No formal training seems to have been given to Baltagi or his managers or subordinates. The XPO employee handbook was evidently distributed with acknowledgment, but it seems as though nobody has read it.

Ironically, XPO's predecessor company before the roll-ups, Concert Logistics Group, worked from an extensive Operations Training Manual (Oliver, 199) that resembled training that is offered through supply chain associations like the Association for Supply Chain Management, and the American Society for Transportation & Logistics, which recently merged together. It instructed new hires on the right way to execute transactions using approved information systems like CGLShip software. The manual instructed on creating documents such as:

- New customer shipping agreement
- Sales collateral standard document templates
- Standard inspection documentation
- Cost calculations
- Standard shipping documents

### **2.5.1 Lack of Training and Employee Feedback**

Dominick Muzi, who never finished college and was serving as a President of Global Forwarding. During his time at CGL, he says he received no training (Muzi, 429). Neither was Baltagi given training, according to Oliver. (Oliver, 22) In addition, it's not clear that there was



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any feedback loop to learn from them when employees quit or were fired. Muzi could not confirm that Baltagi had an exit interview, which could have been particularly useful in diagnosing the problem of his involvement in the Adkins fraud. (Muzi, 429)

## 2.5.2 No Discipline for Breaches

XPO seemed to avoid discipline for breaches, even when performance gaps were explicit and clear. One employee advised the company's management to "set standards and actually apply them."

- Dominick Muzi is apparently unaware of *anybody* at XPO ever being reprimanded (Muzi, 471-474)
- Max Shook effectively excused Baltagi by allowing him extraordinarily liberal terms when passing from an employee to a contractor. The legal language was very thin, considering the facts known at the time. In addition, the 28 days notice provided to him allowed Baltagi ample time to cover his tracks by, for example, deleting emails and text messages.
- Even today Afif Baltagi is in violation of XPO's April 2018 termination letter, without consequences: on LinkedIn he lists himself as a Branch Manager at XPO, while simultaneously working for World Express Cargo.<sup>12</sup>

Given the pattern of avoiding disciplinary actions, one might forgive observers from wondering if Baltagi's compatriots and superiors (especially Muzi, Oliver, Komsky, and Huntley) and subordinates (especially Connor and Russey), and even the Legal team (which coordinated extensively with Adkins) enabled Baltagi's facilitation of Adkins' fraud at moments such as the following:

1. Misleading GSL/Paladin by giving Hodgson a tour of the facility and representing it as being managed by XPO and himself as an authorized agent – were other XPO representatives present or aware of this? (Hodgson 1, 358; Hodgson 2, 325)
2. Implicitly accepting Adkins' terms of escrow in an email chain – Baltagi did not cc any XPO employees, but were any on bcc or aware of it? (Hodgson1, 407)
3. Receiving and implicitly accepting falsified warehousing receipts from Jason Adkins for GSL tires at the Houston facility – were any XPO employees aware of the documents? (Hodgson 2, 325)
4. Taking bribes totaling at least \$230,000 from Adkins and his companies in the form of:
  - a. A Mercedes (Adkins, 95-97; Adkins, 349; Jason 351-352)

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<sup>12</sup> LinkedIn, Accessed May 28, 2021. [www.linkedin.com/in/afif-baltagi-13921643](https://www.linkedin.com/in/afif-baltagi-13921643)

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- b. At least six cash payments from Adkins totaling \$100,000 (did any others at XPO receive payoffs)?
  - \$37,500 on June 22, 2016 (Landash Corp bank records, 124)
  - \$10,000 on September 22, 2016 (Landash Corp bank records, 223)
  - \$15,000 on September 26, 2016 (Landash Corp bank records, 225)
  - \$12,500 on October 4, 2016 (Landash Corp bank records, 246)
  - \$12,500 on December 19, 2016
  - \$12,500 on December 21, 2016
  - \$18,500 on January 25, 2017 (Adkins, 349)
- c. At least \$130,000 in payments to his wife, Mazen Baltagi;
  - \$50,000 on January 13, 2016
  - \$80,000 on March 16, 2016 (Landash Corp bank records, 11)
- d. Forgiveable loan(s)
- 5. Facilitating fraud by signing false security interest letters so other lenders such as Vecron and Abington would release the funds – did any other XPO employees help produce or deliver these? (Adkins, 137-8)
- 6. Signing XPO documents that he was allegedly unauthorized to sign, and which were misleading and false (Adkins 731 Landash Jan 2015. Adkins 681 Abington-security interest in tires held at bonded warehouse, Adkins 690 Midwest Coal-ownership interest in tires, etc.)

In addition, XPO did not punish the Houston branch for being in the bottom third in six of 11 KPIs during 2014 and 2015. In contrast, XPO's performance reviews for Baltagi were "exceeded expectations" in every period except December 2015.<sup>13</sup>

Managers should have stopped Baltagi from false misrepresentations at multiple times during the fraud. They should have, for example:

- When Star Funding emailed Baltagi and copied in his supervisors in January, 2016 XPO should have immediately begun an audit of the inventory and business practices of the Houston branch. Komsky testified that Baltagi's actions in January, 2016 with Star Funding were outside his authority; therefore, an immediate audit response was required of XPO<sup>14</sup>, especially by May 2016 when Star initiated litigation against XPO. The audit should have been in-person with a complete accounting of all tires,

<sup>13</sup> XPOAB00013579\_CONFIDENTIAL

<sup>14</sup> Komsky's testimony that this was outside the scope of his duties, however, is not correct. Baltagi's activities were squarely within the scope of his duties for the reasons set forth herein. XPO provides supply chain management and logistics services, which is exactly what Baltagi was supposed to do in his job and what he was doing relative to the tire transactions.

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customers, documents, emails, activities, and revenue associated with the tire transactions. This would have revealed the fraud and ended the Ponzi scheme.

- Put a forwarder on Baltagi's email to monitor his communications, and upon seeing the fraud, disciplined him for accepting the terms of escrow by email when Legal discovered it in May 2016 when Star Funding emailed Brad Jacobs.
- Fired Baltagi when the First Amended Complaint was filed.
- Ended Baltagi's contractor agreement in July 2017 and compelling him to remove XPO from his LinkedIn profile even today would at least send a message to staff that the company will uphold the principle of disciplining violations of the company code of conduct.

These precautionary measures are not unique. All trucking companies use GPS sensors to track vehicles. UPS, FedEx, DHL, and other parcel carriers use handheld devices that track vehicles, cargo, and drivers along with it. All professional warehousing companies use cameras to monitor warehousing operations. And all reputable companies fire employees that violate conduct rules.

## 2.6 Inadequate Supervision

### 2.6.1 No Regional Management

Based on the testimony, XPO had no supervision in the South or in Houston. Max Shook, Ian Oliver, and Dominick Muzi were in Chicago (Carol Stream). Henrik Jorgenson was in Chicago and then Europe. Joshua Allen was in Louisville, Kentucky. Joe Samuel was in Dallas. No supervisor was in Houston at any point except for an occasional day trip.

The inadequate regional supervision led to tricks. "When the cat's away, the mice will play," goes the expression. Branch managers are known to engage in nepotism, special favors, financial and accounting sleight-of-hand, and personal use of business property. Companies in the logistics business know they need to keep a lid on such activities, and that means surveillance, monitoring, audits, and frequent spot-checks.

Most of my clients address the issue through a regional management structure. The company or business unit is divided into a manageable number of regions (usually three to six in the United States). The branch managers report to the region managers, who report to the business unit head. Regional supervision would have kept tighter control over Baltagi.

### 2.6.2 Inconsistent Supervision due to High Turnover

The length of service of Shook and other supervisors of Baltagi was so short that they did not see the events unfold. Between 2015 and 2018 it appears that Baltagi was managed by at least four managers: Shook, Oliver, Jorgensen, Allen. The bosses of those four also churned extensively,

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including Katrina Lidell (2020), Joshua Allen (as of March 2018), ex Dominick Muzi (2017), Henrik Jorgensen (2016), and Ian Oliver. So, nine people were responsible for overseeing the Houston branch over four years. At an average of 5.3 months each (48 months divided by nine people), Baltagi knew he could pull the wool over their eyes. A supervisor with a longer tenure would have seen the problem escalate.

The aforementioned ex-employee blamed the churn on the company's focus on the stock market and treating its people as expendable:

*"Supervisors do not help as much as should and do not even know most of the job of those they are supervising so are of no assistance when needed or available to help or teach so, you end up training yourself how to do new tasks through trial and error. When staff and management ask for help they are threatened to be replaced. Months of telling them need help and refuse to give the staffing needed putting everyone under undo [sic] stress and lowering customer service. Advice to Management: Start caring about your employees and customers instead of your numbers and stock market, you have lost allot [sic] of good dedicated employees by not acknowledging the help they asked for in surveys, through HR and cut staff to give managers nothing to work with and csr's [sic] trying to do too many jobs at once causing severe undo [sic] stress and loosing [sic] some very valuable, knowledgeable employees."*<sup>15</sup>

### 3 Conclusion

It is my conclusion that Afif Baltagi was doing his duty at XPO during the course of the fraud perpetrated by Jason Adkins, and that a combination of a Lack of Clear Organizational Roles and Responsibilities, Inadequate Safeguards and Precautionary Processes, Imbalanced Incentives and Measurements, a Lack of HR Development & Training Processes, and Inadequate Supervision enabled him to facilitate Adkins' fraud against GSL, perhaps with the tacit or even active cooperation of other XPO employees.

Baltagi's duties and responsibilities as Branch Manager included having direct communications with the customers and coordinating all aspects of the supply chain management service XPO was providing at its Houston facility. The services he offered to GSL and others were all being performed by Baltagi in the course and scope of his job duties as XPO's Branch Manager.

XPO's lack of clarity around Organizational Roles and Responsibilities enabled the fraud. XPO as a company:

- Hired Baltagi without a job description in his offer letter, inviting him to invent the role as he went along.
- Maintained a blurry line between Logistics and Forwarding, which enabled it to operate an asset-lite network at low cost as a broker while representing itself as a

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<sup>15</sup> Glassdoor.com, posted May 11, 2017.

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premium full-service forwarder. This could have inspired Baltagi to profit by further misleading customers to make quick money.

- Made ambiguous and dotted-line relationships the norm and accepted high supervisor turnover, which enabled Baltagi to operate largely unsupervised.
- Systematically deflected customer complaints and legal actions away from the CEO, along with a policy of not following up on them, delayed remedial actions and insulated management from accountability.

XPO's Inadequate Safeguards and Precautionary Processes established a culture that supported reckless and unchecked behavior. XPO:

- Failed to adequately supervise and audit branches
- Maintained inaccurate financial records
- Systematically failed to enforce policies in its Employee Code of Conduct
- Failed to implement audits or surveillance systems that could have checked errant behavior
- Did not restrain customer orders, even if their credit was bad

XPO's Imbalanced Incentives and Measurements encouraged revenue growth above customer satisfaction and sustainable growth. XPO:

- Had no customer satisfaction metrics
- Didn't follow up on customer complaints
- Published financial statements that have failed to notify investors about the Adkins Ponzi scheme exposure over the 2016-2021 period

XPO's Human Resource Management function was ineffective in that it:

- Failed to train employees to a level of competence where they would recognize and troubleshoot problems and violations of company policy
- Failed to discipline employees, even for egregiously breaching multiple policies

XPO's supervisory processes and resourcing were inadequate to protect against incompetence, let alone fraud. There was:

- No regional management close enough to the branches for frequent oversight
- Inconsistent supervision due to extremely high turnover in the management ranks.

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## 5 Appendix: Spruce Point Capital Investor Report

### XPO Logistics, Inc. (NYSE: XPO)

#### Investment Research Report

Spruce Point has been following XPO Logistics (NYSE: XPO) for years, a transportation and logistics roll-up founded by Bradley Jacobs, co-founder of United Rentals (URI) which collapsed in an accounting scandal during his leadership. Based on our forensic investigation, we believe XPO is executing an identical playbook to URI – resulting in financial irregularities that conveniently cover its growing financial strain and inability to complete additional acquisitions despite repeated promises. Given its unreliable and dubious financials, \$4.7 bn debt burden, inability to generate sustaining free cash flow, and dependency on external capital and asset sales, we have a worst-case terminal price target of zero.

XPO has completed 17 acquisitions since Jacobs took control in 2011 and deployed \$6.1 billion of capital. Yet by our calculations, the Company has generated \$73m of cumulative adjusted free cash flow in an expansionary economic period. In our view, this is indicative of a failed business strategy yielding a paltry 1.2% return on invested capital. XPO is dependent on external capital, asset sales, and factoring receivables to survive and is covering up a working capital crunch that can be seen by bank overdrafts – just like Maxar Technologies (MAXR). As credit conditions tighten, cost of capital increases, and XPO's business practices come under greater scrutiny (eg. U.S. Senate), its share price could swiftly collapse in Enron-style fashion.

CEO Jacobs has surrounded himself with a web of associates from his United Waste Systems and United Rentals days. Two of his partners, Mike Nolan and John Milne, were convicted of accounting fraud. XPO's director G.C. Andersen recently employed Milne at his financial advisory firm during a time the company worked on private placements (potentially XPO's deals) and was sanctioned by FINRA. This wasn't disclosed to investors. XPO's audit committee director, Adrian Kingshott, has omitted from his bio his role in the distribution of note securities in the \$700m Marc Drier Ponzi scheme.

In our opinion, XPO has used a nearly identical playbook from United Rentals leading up to its SEC investigation, executive felony convictions, and share price collapse. We find concrete evidence to suggest dubious tax accounting, under-reporting of bad debts, phantom income through unaccountable M&A earn-out liabilities, and aggressive amortization assumptions: all designed to portray glowing "Non-GAAP" results. Additionally, we provide evidence that its "organic revenue growth" cannot be relied upon, its free cash flow does not reflect its fragile financial condition, and numerous headwinds will pressure earnings.

XPO insiders have aggressively reduced their ownership interest in the Company since coming public, and recently enacted a new compensation structure tied to "Adjusted Cash Flow Per Share" – defined in such a non-standard way that it is practically meaningless. Conveniently, it ignores any measure of capital efficiency, which is critical in the capital intensive transportation

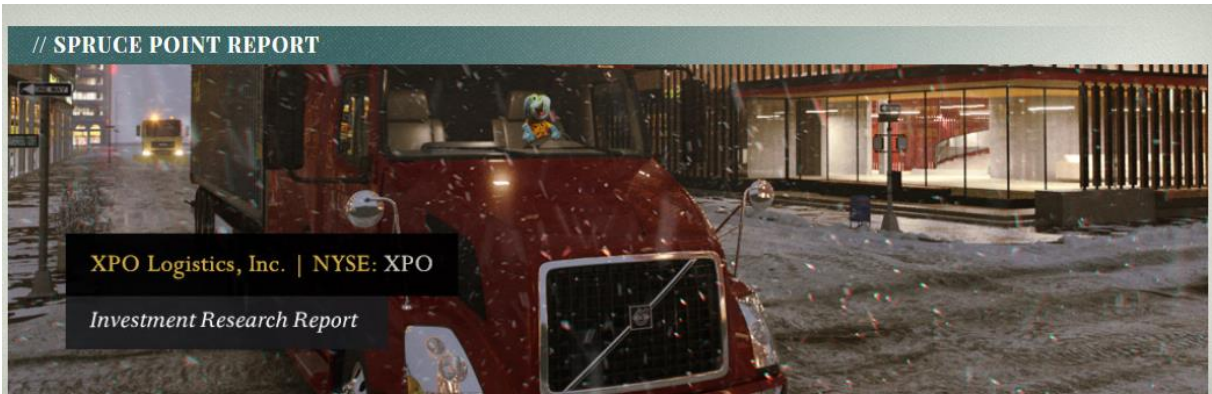
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industry, and would expose XPO's poorly constructed roll-up. In our opinion, the Board is stacked with rubber-stamping Jacobs loyalists, none of which have requisite experience in the transportation and logistics industry. As noted above, the Board includes an audit committee member who abetted a notorious \$700m Ponzi scheme.

XPO has recruited 19 brokers to cover it, with only 1 "Sell" opinion and an avg. fantasy price target of \$114 (implying 90% upside). No analyst has conducted a forensic look at XPO's earnings quality, or revealed its Board and management's connections to convicted felons. XPO promotes itself to investors as a "technology" company and how it uses "robots" for warehouse automation, but ignores its growing financial strain, precarious \$4.7 billion debt load, and inability to hit its cash flow target. Warren Buffett famously said, "Only when the tide rolls out do you know who has been swimming naked" – words of wisdom for XPO shareholders. A crisis of confidence in management and a loss of access to capital could wipe out shareholders. In the interim, we see 40% – 60% downside risk as the market reassess XPO's earnings quality, outlook, and sum-of-parts multiple.



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## XPO Logistics Inc.

- Spruce Point has been following XPO Logistics (NYSE: XPO) for years, a transportation and logistics roll-up founded by Bradley Jacobs, co-founder of United Rentals (URI) which collapsed in an accounting scandal during his leadership. Based on our forensic investigation, we believe XPO is executing an identical playbook to URI – resulting in financial irregularities that conveniently cover its growing financial strain and inability to complete additional acquisitions despite repeated promises. Given its unreliable and dubious financials, \$4.7 bn debt burden, inability to generate sustaining free cash flow, and dependency on external capital and asset sales, we have a worst-case terminal price target of zero.
  - XPO has completed 17 acquisitions since Jacobs took control in 2011 and deployed \$6.1 billion of capital. Yet by our calculations, the Company has generated \$73m of cumulative adjusted free cash flow in an expansionary economic period. In our view, this is indicative of a failed business strategy yielding a paltry 1.2% return on invested capital. XPO is dependent on external capital, asset sales, and factoring receivables to survive and is covering up a working capital crunch that can be seen by bank overdrafts – just like Maxar Technologies (MAXR). As credit conditions tighten, cost of capital increases, and XPO's business practices come under greater scrutiny (eg. U.S. Senate), its share price could swiftly collapse in Enron-style fashion.
  - CEO Jacobs has surrounded himself with a web of associates from his United Waste Systems and United Rentals days. Two of his partners, Mike Nolan and John Milne, were convicted of accounting fraud. XPO's director G.C. Andersen recently employed Milne at his financial advisory firm during a time the company worked on private placements (potentially XPO's deals) and was sanctioned by FINRA. This wasn't disclosed to investors. XPO's audit committee director, Adrian Kingshott, has omitted from his bio his role in the distribution of note securities in the \$700m Marc Drier Ponzi scheme.
  - In our opinion, XPO has used a nearly identical playbook from United Rentals leading up to its SEC investigation, executive felony convictions, and share price collapse. We find concrete evidence to suggest dubious tax accounting, under-reporting of bad debts, phantom income through unaccountable M&A earn-out liabilities, and aggressive amortization assumptions: all designed to portray glowing "Non-GAAP" results. Additionally, we provide evidence that its "organic revenue growth" cannot be relied upon, its free cash flow does not reflect its fragile financial condition, and numerous headwinds will pressure earnings.
  - XPO insiders have aggressively reduced their ownership interest in the Company since coming public, and recently enacted a new compensation structure tied to "Adjusted Cash Flow Per Share" – defined in such a non-standard way that it is practically meaningless. Conveniently, it ignores any measure of capital efficiency, which is critical in the capital intensive transportation industry, and would expose XPO's poorly constructed roll-up. In our opinion, the Board is stacked with rubber-stamping Jacobs loyalists, none of which have requisite experience in the transportation and logistics industry. As noted above, the Board includes an audit committee member who abetted a notorious \$700m Ponzi scheme.
  - XPO has recruited 19 brokers to cover it, with only 1 "Sell" opinion and an avg. fantasy price target of \$114 (implying 90% upside). No analyst has conducted a forensic look at XPO's earnings quality, or revealed its Board and management's connections to convicted felons. XPO promotes itself to investors as a "technology" company and how it uses "robots" for warehouse automation, but ignores its growing financial strain, precarious \$4.7 billion debt load, and inability to hit its cash flow target. Warren Buffett famously said, "Only when the tide rolls out do you know who has been swimming naked" – words of wisdom for XPO shareholders. A crisis of confidence in management and a loss of access to capital could wipe out shareholders. In the interim, we see 40% – 60% downside risk as the market reassess XPO's earnings quality, outlook, and sum-of-parts multiple.
- READ MORE...



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## 6 Appendix: Summary Biography of David Steven Jacoby

**David Steven Jacoby, MBA, CFPIM, CSCP, CIRM, CPM, CTL**

David Jacoby has been consulting for over 30 years in supply chain management, operations strategy and performance improvement. He wrote Guide to Supply Chain Management (The Economist, 2009) and multiple other supply chain books for major publishers, and has contributed over 300 speeches, articles and webcasts to publications including the Supply Chain Management Review and Supply Chain Quarterly.

His relevant experience includes the following projects and roles:

- Evaluated international growth strategies, including freight forwarding truckload, and less-than-truckload carrier segments, and whether or not to enter new LTL markets in Europe.
- Deployed routing technology and standardized work methods & standards, storage & shuttle configurations, and organization and compensation structures for a less than truckload service provider.
- Developed valuation models and scenarios during due-diligence for a multimodal (rail/ocean) merger.
- Led a Benchmarking Center of Excellence for A.T. Kearney. Conducted dozens of benchmarking projects for equipment, parts and component distribution in automotive, medical, electronics, and other diverse industries.
- Overhauled logistics at a retailer with regional operations, in a two-year project that graduated from a pilot program through an implementation program.
- Led several process improvement teams during a multi-year effort at a multinational vehicle manufacturer, with sequential consulting projects in Europe, Latin America, and the US.
- Established a growth strategy and initiated partnership meetings between a consumer products company and international 3PLs.

He has taught graduate school Operations Management at Boston University and consulted at several global consultancies, including Kearney, Norbridge, and Temple, Barker & Sloane.

He holds an MBA from the Wharton School, a Masters in International Business from the University of Pennsylvania's Lauder Institute and a Bachelor of Science in Finance and Economics from the University of Pennsylvania, where he did coursework at the Université de Compiègne (France) and Delft Institute of Technology (Netherlands). He is also a Certified Fellow in Production and Inventory Management (CFPIM), Certified in Supply Chain Management (CSCP), Certified in Integrated Resource Management (CIRM), Certified in Purchasing Management (Lifetime C.P.M.), and Certified in Transportation and Logistics (CTL). At the International Supply Chain Education Alliance (ISCEA), he is a member of its Ptak Prize Selection Committee.

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## 7 Appendix: Resume of David Jacoby

### Work Experience

**Boston Strategies International (BSI), Inc., President, 1998 – present**, a consultancy that provides digital solutions and outsourced services to make supply chains more innovative, agile, resilient, secure, sustainable, and customizable. Built a sales and project delivery network encompassing international partners in a dozen countries, plus nearly two dozen channel partners and technical specialists. Project examples include:

- Developed a methodology to help the US Department of Transportation account for supply chain benefits of large-scale infrastructure projects. By using the ‘supply chain benefits’ method, the US will be on a path to approve 156% more capex for large-scale projects over the next 23 years.
- Evaluated international growth strategies for one of the world’s largest integrated transportation carriers, specifically the decisions whether to enter new freight and LTL markets.
- Led a team that redesigned the logistics network and the procedures for distribution and warehousing of maintenance and repair parts to 260 sites belonging to the New York City Housing Authority.
- Led a team that identified ‘hard’ savings for the largest company in the world throughout a six-year supply chain analysis program. Benefits included a 7% reduction in capital expenditures, 1% lower operating costs, a 61% throughput increase through improvements in productivity and reductions in lead time for critical equipment, and 2% lower inventory carrying costs due to lead time reductions.
- Led a team that saved 13% on a \$45 billion capital project for a European company by designing a master supply chain strategy and procurement plan.
- **Economist**, Contributing Editor (while consulting at BSI). Researched, conducted surveys, and wrote 11 custom ‘thought leadership’ papers on supply chain related topics for SAP, Microsoft, Cisco, and other clients. Presented results at international conferences. Titles included, for example: The New Face of Purchasing; RFID Comes of Age; Chinese Third-Party Logistics Market Analysis and Forecast; and Unleashing the Power of Customer Data.
- **Boston University**, Lecturer, Graduate School of Management, Department of Operations Management (while consulting at BSI). Taught 35 graduate students per semester using a combination of case studies, lectures, and exercises. Topics included, for example: constraints management, statistical process control, quality management and Six Sigma, inventory and just-in-time, mass customization, service operations management, and supply chain strategy.

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**Norbridge Inc., Principal, Transport & Logistics, 1996 – 1998** (Concord, MA). Helped global rail and intermodal carriers, auto manufacturers, distributors and logistics service providers improve operations (e.g., purchasing, manufacturing, transportation, and maintenance) through benchmarking, demand forecasting, process redesign, planning and scheduling, materials management, and equipment/infrastructure planning. Clients included companies such as FedEx, Chrysler, and CSX. Promoted from Senior Associate.

- Supported operational integration with competitive analyses and capacity strategies for the intermodal, merchandise, and bulk businesses during four phases of a \$10 billion rail merger.
- Managed numerous multi-party benchmarking and best practices studies, including two that involved an annual parts logistics conference.

**A.T. Kearney Inc., Manager, Procurement Logistics and Supply Chain, 1989 – 1996** (based in New York, Chicago [two years], Paris [two years], Brazil [two years] and Atlanta, with project work in Eastern Europe and Asia. Served clients such as BASF, New Zealand Rail, France Telecom, Kowloon-Canton Railway, GM, Kraft, and Monoprix. Managed engagements in strategic sourcing, transportation, logistics/supply chain optimization, maintenance management, outsourcing and business transformation (reengineering), M&A, privatization, competitive intelligence, and marketing strategy. Led a Benchmarking Center of Excellence. Promoted from Associate. Featured projects include:

- Designed and implemented a major global sourcing program for vehicle makers in Brazil that saved 20% through a multi-year engagement that was conducted entirely in Portuguese. Also re-engineered the order fulfillment process of CKD (completely-knocked-down) trucks, reducing lead time by 30% and cost by 35% for the activities in scope.
- Assessed the business strategy, base case, forecast scenarios, and valued an Australasian railway, paving the way for its \$328 million sale.
- Evaluated the financial viability of five multi-billion dollar capital projects for a Chinese freight logistics and passenger rail and ferry company, resulting in the decision to build a container train service, a harbor tunnel, and a high-volume strategically important switching yard.
- Built a case that helped a Canadian railroad successfully secure government approvals to build a cross-border double-stack freight rail tunnel by demonstrating that the construction and the ongoing operations would generate hundreds of jobs, and comparing that to a ‘do-nothing’ scenario, in which traffic flows and terminal utilization would create congestion and traffic delays.
- Co-managed a Benchmarking Center of Excellence that provided the basis for consulting projects that reduced costs and improved performance of hundreds of European companies in logistics, finance, manufacturing and maintenance.

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- Analyzed transportation rates and identified savings opportunities for chemicals, forest products, and food products shippers. Prepared workshops on negotiating with suppliers.
- Implemented a redesigned store logistics process, improving cash-flow and decreasing stockouts and markdowns for a French retail chain. Conducted a series of detailed pilot programs.

**World Bank, Junior Economist (Consultant), 1985** (Tunis). Analyzed domestic resource cost of seven agricultural commodities in (potatoes, oranges, olives, dates, hard wheat, soft wheat, and barley). Follow-on mission based on a successful USAID project in the same ministry. The work, which was conducted entirely in French, presaged a major wave of free-market reforms.

**Mercer Management Consulting Inc., Research Associate, International Trade Group, Research Associate, 1985 – 1987** (Lexington, MA, currently Oliver Wyman). Developed business and investment strategies, economic analyses, and decision support tools for maritime clients such as APL and Sea-Land, and a large number of ports. Also participated in World Bank-funded projects for the governments of Benin and Burundi.

- Architected and built key elements of a computer-based World Trade Forecasting Service that was subsequently sold to an econometric forecasting firm.
- Developed valuation models and scenarios during due-diligence for a ground-breaking multimodal merger.

## Education

- MBA, Wharton School, University of Pennsylvania, Strategic Planning and Marketing, 1989.
- Master of Arts, The Lauder Institute of International Studies, University of Pennsylvania, 1989.
- Bachelor of Science (Economics), University of Pennsylvania. Finance and International Business, 1985. Courses at Université de Compiègne and Delft Institute of Technology and internships at Ford France S.A. and Frans Swarttouw B.V. (Netherlands).
- Certified Fellow in Production and Inventory Management (CFPIM)
- Certified in Supply Chain Management (CSCP)
- Certified in Integrated Resource Management (CIRM)
- Certified in Purchasing Management (Lifetime C.P.M.)
- Certified in Transportation and Logistics (CTL)

## Certifications and Affiliations

Past President, Boston APICS. Past President, New England Roundtable of the Council of Supply Chain Management Professionals (CSCMP). Member, Institute for Supply Management (ISM) and American Society of Transportation and Logistics (AST&L, now part of the

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Association for Supply Chain Management). Member of the [Ptak Prize](#) Selection Committee, [International Supply Chain Education Alliance](#) (ISCEA).

Languages

English (native), French (fluent), Portuguese (proficient).

Publications and Interviews

*Note: Hyperlinks are provided to facilitate drill-down, however some older links may no longer be functional if the source file location has changed or been deleted.*

**SELECTED BOOKS**

[Guide to Supply Chain Management](#), The Economist Books (2009)  
[Optimal Supply Chain Management in Oil, Gas and Power Generation](#) (PennWell, 2012)  
[Reinventing the Energy Value Chain: Supply Chain Roadmaps for Digital Oilfields through Hydrogen Fuel Cells](#) (PennWell, 2021)

**SELECTED OTHER PUBLICATIONS**

May 2019: [“Supply Chain Security Guidelines on Provenance.”](#) For North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection Committee (CIPC) Supply Chain Working Group (SCWG).  
April 2016: [“Ofrecen Ahorros en Proyectos Energéticos.”](#) Interview of David Jacoby in El Norte Magazine, Mexico City.  
April 2016: [“BSI offers \\$2 Billion Savings in Energy Projects.”](#) Interview of David Jacoby in [Negocioselnorte and Negocios Magazines](#), Mexico City.  
January 2014: [“Traffic Jam: Is Your Supply Chain Ready for the Global Infrastructure Crisis?”](#) Interview of David Jacoby in APICS Advantage Magazine.  
October 2013: [“Strategies for Managing Customer and Supplier Risks,”](#) Interview of David Jacoby. Economist Intelligence Unit. Sponsored by Dun & Bradstreet.  
January 2012: [“Rate Outlook.”](#) Presentation for the major annual multimodal “panel of experts” webcast, produced and sponsored by [Logistics Management magazine](#).  
November 2012: Major Accident Prevention and Lessons Learned in Oil & Gas: Four Guidelines and Thirteen Best Practices for Governing Safe Supply Chains, [Abu Dhabi International Petroleum Exhibition and Conference](#) (ADIPEC).  
September 2012: [Optimal Supply Chain Management in Oil, Gas and Power Generation](#), PennWell.  
August 2012: [SCMR Exclusive Interview with David Jacoby on the State of the Ocean Cargo Market](#)  
June 2012: [GE Oil & Gas Newsletter - "Bridging from Thermal to Renewable Power Supply Chains"](#)  
March 2012: [Energy Tribune article on Tumaco Pipeline](#)

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March 2011: [Registering and Transporting Hazardous Substances](#), Offshore Technology Conference

February 2011: [2011 Intermodal Freight Rate Outlook for Trades to and from North America](#), Logistics Digest

December 2010: [Planning Your Carbon Footprint](#), Bangkok Logistics Digest

November 2010: [Get Off Your Diagonal](#), Bangkok Logistics Digest

October 2010: [Petroleum Pride: Winners of BSI's 2010 Oil and Gas Supply Chain Awards](#), LOGae

September 2010: [10 Tips for Choosing a Carrier or 3PL](#), Parcel Magazine

September 2010: [Leading Supply Chain Transformations with Credibility](#)

August 2010: [Green Supply Chains by 2020](#)

July 2010: [2010 Mid-Year Rate Outlook: Paying a Premium](#), Logistics Management

July 2010: [The Return of PPP](#)

May 2010: [Too Small to Fail: A New Model for Regulatory Oversight](#)

April/May 2010: [The Outlook for Motors and Drives in 2010: Strategies for Success](#), e-Drive

April 2010: [Planning for the Long Haul](#)

March 2010: [The Oil Price 'Bullwhip': Problem, Cost, Response](#), Oil & Gas Journal

March 2010: [Supplier Development: More Than a Good Idea](#)

February 2010: [Oil Price Volatility and How to Avoid It](#), Energy Tribune.

February 2010: [Recognizing Excellence: BSI Supply Chain Award Winners](#)

February 2010: [Using Flexible Capacity Techniques to Thrive in a Volatile Economy](#)

January 2010: [2010 Rate Outlook Update](#), Logistics Management Magazine.

January 2010: [W-Shaped Economy or Long Wave?](#)

December 2009: [Guide to Supply Chain Management](#), The Economist and Profile Books

December 2009: [Supply Chain Report Card](#), LOG Middle East

November 2009: [Contracting in Volatile Markets](#)

October 2009: [Career Advice for Young Professionals](#)

September 2009: [Capacity Concerns Could Be The Next Chemicals Supply Challenge](#), Purchasing Magazine

September 2009: [Your Supply Chain Costs Have Decreased by 12%](#)

August 2009: [Good, Better, Best. Supply Chain Excellence Awards](#)

July 2009: [The Bullwhip Effect in Global Trade - This is One Wild Bull](#)

June 2009: [The New Era of Post-Chinese Sourcing](#)

June 2009: [Energy Outlook](#), ISM Material Management News

May 2009: [What's Your Middle East Strategy?](#)

April 2009: [The Ocean Market: Overcapacity Until 2012](#)

February 2009: [Send an RFQ Today](#)

January 2009: [Window of Opportunity: 2009 Logistics Rate Outlook](#), Logistics Management (by John Quinn with contributions by Boston Strategies International).

December 2008: [Infrastructure Investment: The Supply Chain Connection](#), CSCMP Supply Chain Quarterly.

December 2008: [How should the global financial crisis affect your freight strategy?](#)

November 2008: [Technological Innovations in Logistics and the Extended Supply Chain](#)



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October 2008: [Intermodal Integration – Responding to Market Needs](#)  
 September 2008: [RFID Solutions](#)  
 August 2008: [Air Express Solutions](#)  
 August 2008: [Global Logistics – Ups and Downs](#), APICS e-news.  
 July 2008: [Paperless Management Solutions](#)  
 July 2008: [2008 Mid-Year Rate Outlook Update](#), Logistics Management Magazine.  
 June 2008: [The Elusive Global Transportation Solution](#)  
 May 2008: [How Long Will the East-West Trade Imbalance Last?](#) PARCEL Magazine.  
 May 2008: [Can Western Manufacturers Beat the Competition?](#) APICS Magazine.  
 May 2008: [The Art of High-Cost Country Sourcing](#), Supply Chain Management Review.  
 May 2008: [Fleet Management Solutions](#)  
 April 2008: [Logistics Outsourcing – It's Not About Reducing Costs](#)  
 March 2008: [“Shippers Compliance in Freight Transportation & Logistics” \(Governance, Risk, and Compliance Handbook\)](#)  
 March 2008: [“Carriers Compliance in Freight Transportation & Logistics” \(Governance, Risk, and Compliance Handbook\)](#)  
 March 2008: [The Shanghai Connection](#), World Trade Magazine.  
 March 2008: [Visibility and the Role of Government in Container Security](#)  
 February 2008: [RFID – The Solution to Better Baggage Handling](#), Ground Handling International.  
 February 2008: [Chemicals Markets Getting More Complex](#), Purchasing Magazine.  
 February 2008: [Perfecting Your Supply Chain](#), PARCEL Magazine.  
 February 2008: [Best Solutions in Supply Chain Management](#)  
 January 2008: [2008 Logistics Rate Outlook](#), Logistics Management Magazine.  
 November 2007: [Going Global – The Key is People](#), PARCEL Magazine.  
 March 2007: [Variable Energy Costs and Strategic Sourcing](#), World Trade Magazine.  
 November 28, 2007: Intermodal, Infrastructure Investment and Financing, [Transport Events, 3rd Trans Middle East Exhibition](#), InterContinental Citystars, Cairo, Egypt.  
 November 13, 2007: RFID's Impact on Privacy and Security, [CILIP, RFID in Libraries Conference](#) via live video link, QEII Conference Center, Westminster, London.  
 October 31, 2007: Management: Latest Developments in Supply Chain and Global Logistics Industry, [PARCEL Magazine](#), Parcel Shipping and Distribution Forum, Hyatt Regency O'Hare, Chicago IL.  
 October 23, 2007: Dubai and the Changing Face of Middle East Logistics, a webinar  
 October 23, 2007: Energy Prices and the Supply Chain: The Outlook of Fuel Surcharges, [Institute of Supply Chain Management \(ISM\), NAPM Twin Cities Fall Conference](#), Minneapolis Marriott Airport Hotel, Bloomington, MN.  
 March 23, 2007: The Asian Sourcing Boom: How Long Will it Last, a summary of Boston Strategies International's third annual State of Strategic Sourcing Study.  
 March 29, 2006: Supply Chain Benefits of Transportation Infrastructure Improvements, [Transportation Research Board \(TRB\), Conference on Transportation and Economic Development \(TED 2006\)](#), Little Rock AK  
 March 1, 2006: “Radio Frequency Identification (RFID) Comes of Age,” Dallas, TX  
 June 2005: [Measuring Sourcing Performance: What's the Mystery?](#) Purchasing Magazine.  
 May 2005: [Swagging the Biggest Decisions You Make](#), Purchasing Magazine.

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March 2005: [Mitigating High Raw Material Prices](#), Purchasing Magazine.  
February 2005: [Focus on the Right Suppliers](#), Purchasing Magazine.  
February 2005: [Mega-Sourcing – Do You Have the Skills?](#) Purchasing Magazine.  
January 2005: [The New Economics of Partnering](#), Purchasing Magazine.  
July 2005. “Strategic Sourcing: Getting Maximum Points from Game Plan Variety,” APICS Magazine.  
2005. “Business 2010: Retailing Embracing the Challenge of Change,” Economist Intelligence Unit.  
May 2005. “The New Face of Purchasing,” Economist Intelligence Unit.  
March 2005. “High-Impact Sourcing,” Survey Feedback Report.  
January 2005. “Strategic Sourcing Impact Study,” [Inside Supply Management](#).  
August 19, 2004. “Demand to Fill Top Slots With Absolute Top Performers,” C-Speak.  
April 8, 2004. “Developing Skills for the Era of Mega-Sourcing,” [HR Executive](#).  
March 2004. “What’s Next in the Procurement Arena,” [APICS Performance Advantage](#).

**Selected Presentations**

September 29, 2020: The Future of Supply Chain Management, IIM Ranchi, Ranchi, Jharkhand, India.  
May 11, 2020: Supply Chain Security Guidelines on Provenance. North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection Committee (CIPC) Meeting.  
March 30, 2020: Achieving Breakthrough Success in the Battery Value Chain. International Battery Partnering & Investment Forum. Orlando.  
December 3, 2019: Investing in Energy Innovators. Bank of Montreal – Boston Growth Conference.  
October 19, 2019: Confronting Climate Change (Moderator). Lauder Institute Tri-Annual Global Reunion. New York.  
June 24, 2019: Achieving Breakthrough Success in the Battery Value Chain. Advanced Automotive Battery Conference. San Diego.  
June 4, 2019: Supply Chain Security Guidelines on Provenance. North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection Committee (CIPC) Supply Chain Working Group (SCWG). Orlando, Florida.  
April 24, 2019: Economics of Offshore Wind in and Around New York. New York Energy Week Meet-Up, New York.  
December 2018: Debate: Top 10 Reasons for Tariffs. APICS North Shore, Burlington MA.  
October 2018: “Tariffs, Trade Wars, and Your Global Supply Chain.” New England Supply Chain Conference and Exhibition. Marlborough, MA.  
September 2018: “Shifting Business Models in the Power Industry.” Institute for Supply Management’s Utility Purchasing Management Group. Scottsdale, Arizona.  
June 2018: “Changing Business Models in the Power Industry.” Electrify Europe conference (formerly PowerGen, by PennWell). Vienna, Austria.



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June 2018: "Navigating the Landscape of Structuring Partnership Agreements." Presentation to the 18th Annual Advanced Automotive Battery Conference, San Diego.

May 2018: "Leadership in Global Financial Markets." Panel Discussion moderated by Mauro Guillen, Director of The Lauder Institute and Dr. Felix Zandman Professor of International Management at the Wharton School, with co-panelists Laxman Narasimhan WG'93, CEO, Latin America and Europe Sub-Saharan Africa PepsiCo, Inc., and Michelle Tien WG'03, COO, Credit Suisse.

October 2017: Comparative Economics of Combined Cycle, Solar, Wind, Hydro, and Geothermal Power. University of Calgary, Haskayne School of Business, Calgary, Alberta, Canada.

October 2016: The Impact of Energy Prices on Logistics & the Global Supply Chain. Marlborough, MA, 2016 New England Supply Chain Conference & Exhibition

May 2016: "Global Strategic Capital Project Management and Supply Chain Management in Oil and Gas Depression." Keynote Presentation and related Workshop, China Sourcing Summit on Petroleum Equipment (CSSOPE), Beijing, China.

April 2016: "Hydrocarbons Infrastructure in Mexico." Moderator of a Panel Discussion. Second Mexico Gas Summit. San Antonio, USA. Produced by Industry Exchange LLC.

June 2015: "Negotiating Skills for Deals That Benefit All Parties." Workshop at the 3rd Annual Global Procurement and Supply Chain Management for the Oil and Gas Industry." GFMI. Houston, USA.

May 2014: "Negotiating Production Sharing Agreements (PSAs) and Joint Operating Agreements (JOAs)". Workshop at 2nd Annual Contract Risk Management Forum for Oil & Gas. Sponsored by TBM Evolution. Berlin, Germany.

May 2014: "Navigating and Optimizing the Supplier Certification Process at National and International Oil Companies." Workshop at China Sourcing Summit on Petroleum Equipment (CSSOPE), Beijing, China.

April 2014: "Pipeline and Oilfield Security Technologies: Global Benchmarks and State of the Art." Workshop at the Fifth Colombia Oil & Gas Conference and Exhibition. Bogota, Colombia.

May 2013: "Optimal Supply Chain Management: The Global Supply Opportunity." Speech to the China Sourcing Summit on Petroleum Equipment (CSSOPE), Beijing, China.

April 2013. "Risk Management in Oil & Gas," Procurement and Supply Chain Management Forum for Oil & Gas, produced by TBM Evolution, Berlin, Germany.

November 2012: Major Accident Prevention and Lessons Learned in Oil & Gas: Four Guidelines and Thirteen Best Practices for Governing Safe Supply Chains, [Abu Dhabi International Petroleum Exhibition and Conference](#) (ADIPEC).

October 18, 2012. Boston, Presentation to the Society of Petroleum Engineers' New York and New England Petroleum Section, Massachusetts Institute of Technology (MIT). "Safe Supply Chain Design."

September 24-26th, 2012, London, Strategic Sourcing Workshop at 6th Annual Global Procurement and Supply Chain Management for the Oil and Gas Industry.

January 25th, 2012, Rate Outlook Webcast, [Logistics Management Magazine](#).

October 24, 2011. "BRIC Plus: Uncovering Economic and Supply Chain Success in the New Emerging Economies," 2011 [APICS International Conference & Expo](#), Pittsburgh, Pennsylvania.

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September 26-28, 2011. [5th Annual Global Procurement and Supply Chain Management for the Oil and Gas Industry conference](#), Barcelona, Spain.

May 4, 2011. "[Global Trade Restrictions and Related Compliance Issues Pertaining to Oil and Gas Production Chemicals](#)," Offshore Technology Conference (OTC), Houston Texas.

January 27, 2011. "[2011 Logistics Rate Outlook](#)," Logistics Management webcast.

October 10, 2010: [TransOman Transport, Shipping, and Logistics Show](#), Muscat, Oman.

October 5, 2010: "[Protecting and Enhancing Energy Infrastructure Projects in the Middle East – Mitigating Project Risk and Safeguarding Investments](#)," PowerGen Middle East, Doha, Qatar.

September 20, 2010: "Value-Based Pricing in the Oil and Gas Supply Chain," [The OFS Portal](#) LLC 8th Annual Fall Retreat, Houston, TX (USA).

June 16, 2010: "[Success Stories in Supplier Development](#)," APICS South Shore Chapter, Taunton, Massachusetts.

June 15, 2010: "[Basics of Supply Chain Risk](#)," APICS Providence Chapter, Providence, Rhode Island.

May 26, 2010: "[Future Management Organization for Mediterranean Ports and the Maritime Sector](#)," 8th Mediterranean Logistics and Transport Forum, Barcelona, SPAIN. Click [here](#) to see a copy of the presentation speech.

May 18, 2010: "[Sourcing 2010 and Beyond](#)," Round Table on Sourcing, Boston APICS Dinner Meeting, Waltham, Massachusetts. Click [here](#) to see an excerpt of the presentation slides.

May 18, 2010: "[Supply Chain Roundtable on Sourcing](#)," APICS Chapter Events, Waltham, Massachusetts.

April 22, 2010: "[Rails, Roads, Water and Air: Logistics, Inventory and Distribution](#)," Live Television Panel Discussion, Institute for Supply Management, Phoenix AZ.

January 28-29, 2010: "[Economic Outlook and Strategies for Success](#)," Motor, Drives & Automation Systems 2010, Orlando, Florida. Click [here](#) to see an excerpt of the presentation slides.

January 28, 2010: "[2010 Logistics Rate Outlook](#)," Webcast, 2pm Eastern.

January 20, 2010: "[Managing Procurement for Total Supply Chain Value](#)," Purchasing Managers Association of Boston (PMAB), Executive Roundtable, Concord, Massachusetts.

November 24, 2009: "[Supply Chain: What's it Worth?](#)," Fifth Trans Middle East Conference and Exhibition, Bahrain. Click [here](#) to see an excerpt of the presentation slides. Click [here](#) to see photos from the conference.

October 27, 2009: "[Supply Chain: The New Revenue Generator](#)," The Next Generation Supply Chain, Virtual Conference sponsored by the Supply Chain Management Review.

October 18, 2009: "[Realizing Supply Chain Value through Smart Freight Management](#)," Supply Chain Management Forum, Dubai.

October 12, 2009: "[Deriving Value from Supply Chain Innovation in Troubled Economic Times](#)," The Health and Personal Care Logistics Conference, Longboat Key, Florida. Click [here](#) to see an excerpt of the presentation slides.

October 7, 2009: "[Winning Supply Chain Strategies and Financial Benchmarks](#)," APICS New York City Chapter, New York City.

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October 7, 2009: "[The New Global Supply Chain](#)," Council of Supply Chain Management Professionals' Manhattan Roundtable, New York City. Click [here](#) to see an excerpt of the presentation slides.

April 4-6, 2009: Keynote Presentation, Supply Chain Management: Realizing the Potential, Third Annual Supply Chain Management Symposium, Hotel Meridien, Khobar, Saudi Arabia.

April 4-6, 2009: Eliminating the Bullwhip Effect by Synchronizing Supply Chains, Third Annual Supply Chain Management Symposium, Hotel Meridien, Khobar, Saudi Arabia. [Click here to see a photo from the symposium.](#)

January 29, 2009: Panel of Experts Webcast, 2009 Rate Outlook, [Logistics Management Magazine](#).

January 20, 2009: International Sourcing and Cross-Border Logistics, [APICS](#), Boston, MA

November 23-25, 2008: Supply Chain — From Concept to Cash, [Transport Events](#), [4th Trans Middle East](#), Dubai, UAE. [Click here to see photos from the conference.](#)

October 6, 2008: Global Logistics — Hot Spots and Major Developments, New England Supply Chain Conference & Exhibition 2008, Marlboro, MA.

September 24-26, 2008: Supply Chain Organization Development, Southwest Supply Management Conference, [Institute for Supply Management \(ISM\)](#), Dallas, TX.

September 24-26, 2008: Keynote Presentation, Strategically Sourcing Transportation: Competition vs. Cooperation, Southwest Supply Management Conference, [Institute for Supply Management \(ISM\)](#), Dallas, TX.

September 17-18, 2008: Ports Can Increase Margins Through End-to-End Supply Chain Brilliance, [PorTech Asia 2008](#), Tianjin, China.

September 14-16, 2008: Global Logistics: The Next Generation, [2008 APICS International Conference and Expo](#), Kansas City, Missouri.

September 9, 2008: [Business Forecasting and Planning Excellence Conference](#), Las Vegas, Nevada. (Chairperson)

July 22, 2008: 2008 Mid-Year Rate Outlook—Uncertainty Persists, [2008 Mid-Year Rate Outlook Webcast](#), [Logistics Management Magazine](#).

June 5-6, 2008: Global Economic Trends and Development in Containerised Trade Growth, [Transport Events](#), [6<sup>th</sup> ASEAN Ports and Shipping 2008](#), Ho Chi Minh City, Vietnam.

March 25, 2008: RFID in Ground Handling, Transport IQ ([IQPC](#)), [Ground Handling Excellence in Passenger Services Conference](#), Kuala Lumpur, Malaysia.

March 20, 2008: Supply Chain Strategy, a webinar.

March 6, 2008: Logistics In Gioia Tauro, a webinar.

March 6, 2008: Supply Chain Organization Development, a webinar.

March 6, 2008: RFID and Security, [International Air Transport Association \(IATA\)](#), [World Cargo Symposium](#), Rome, Italy.

February 21, 2008: Logistics In Seattle, a webinar.

January 30, 2008: 2008 Rate Outlook Uncertainty Abounds, [2008 Logistics Rate Outlook Webcast](#), [Logistics Management Magazine](#).

January 30, 2008: How Will Western Manufacturers Survive?, a webinar.

January 8, 2008: Logistics in New York, a webinar.

December 13, 2007: Logistics in Shanghai — Along the Yangtse, a webinar.

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November 28, 2007: Intermodal, Infrastructure Investment and Financing, [Transport Events](#), [3rd Trans Middle East Exhibition](#), InterContinental Citystars, Cairo, Egypt.

November 26, 2007: Logistics in Cairo- Through the Suez Canal, a webinar.

November 19, 2007: Supply Risk Management, a webinar.

November 13, 2007: RFID's Impact on Privacy and Security, [CILIP](#), [RFID in Libraries Conference](#) via live video link, QEII Conference Center, Westminster, London.

October 31, 2007: Management: Latest Developments in Supply Chain and Global Logistics Industry, [PARCEL Magazine](#), Parcel Shipping and Distribution Forum, Hyatt Regency O'Hare, Chicago IL.

October 23, 2007: Dubai and the Changing Face of Middle East Logistics, a webinar

October 23, 2007: Energy Prices and the Supply Chain: The Outlook of Fuel Surcharges, [Institute of Supply Chain Management \(ISM\)](#), [NAPM Twin Cities Fall Conference](#), Minneapolis Marriott Airport Hotel, Bloomington, MN.

September 27, 2007: Multimodal Synergy – Integrated Capability in Logistics and Transportation, [Transport Events](#), [4<sup>th</sup> Thai Ports and Shipping Exhibition and Conference](#), Imperial Queen's Park Hotel, Bangkok, Thailand.

September 27, 2007: Energy Prices and the Supply Chain: Charting a New Course, [IPC](#), [Midwest Manufacturing Conference and Exhibition](#), Donald E. Stevens Convention Center, Rosemont, IL.

September 18, 2007: Is there ROI in RFID? a webinar

August 21, 2007: Benchmarking Your Supply Chain Savings, a webinar

August 7, 2007: Energy Prices Reshaping the Supply Chain, a webinar

July 23, 2007: Budgeting for Volatility, a webinar

June 4, 2007: Sourcing from China, [Journal of Commerce](#), [3<sup>rd</sup> Annual China Trade & Logistics Conference](#), Savannah International Trade and Convention Center, Savannah GA.

April 25-27, 2007: Budgeting and Forecasting in a Highly Volatile Environment, [Institute of Business Forecasting and Planning \(IBF\)](#), [Demand Planning and Forecasting: Best Practices Conference 2007](#), Loews New Orleans Hotel, New Orleans LA.

March 23, 2007: The Asian Sourcing Boom: How Long Will it Last, a summary of Boston Strategies International's third annual State of Strategic Sourcing Study.

March 21, 2007: Low-Cost Country Sourcing: Sweeping Up, [National Association of Purchasing Management Southern New Hampshire Chapter](#), Concord NH

March 5, 2007: Courting the Consumer: Creating Dynamic Brands in Retail and Consumer Goods, [Vendor Compliance Federation Conference](#), Marco Island FL

March 1, 2007: The Impact of Low-Cost Country Sourcing on the Chemicals Supply Chain, [Institute of Supply Chain Management \(ISM\)](#) Conference, World Gold Village, Renaissance Hotel, St. Augustine FL.

February 16, 2007: Benchmarking Your Supply Chain Savings, a webinar

January 31, 2007: Logistics Outlook 2007 Webcast, [Logistics Management Magazine](#).

January 23, 2007: Energy Prices Reshaping the Supply Chain: Charting a New Course?, Joint meeting of [APICS](#) Providence and [Purchasing Managers' Association of Rhode Island \(PMARI\)](#), Warwick, RI.

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January 11, 2007: Global Trade and Technology: The Crossroads, [Beverly Chamber of Commerce](#), Beverly MA

January 8, 2007: Data Explosion: Redefining Metrics, [Purchasing Managers Association of Boston](#), Lexington MA

November 27, 2006: RFID: Revolutionizing Baggage Handling, [Ground Handling International \(GHI\)](#), 8<sup>th</sup> Annual Ground Handling International Conference, Monaco

November 16, 2006: Supply Market Intelligence: What is Your Supply Market IQ? [APICS](#) Fairfield County, Fairfield CT

November 14, 2006: Supply Market Intelligence: What You Don't Know Can Hurt You, Resources Global Professionals, Westford MA

October 25, 2006: RFID: Mining Mega-Data for Enhanced Forecast Accuracy, [Institute of Business Forecasting and Planning \(IBF\)](#), [Demand Planning and Forecasting Conference 2006](#), Orlando FL

October 18, 2006: Taking Smarter Risks by Forecasting Complex Supply Markets, [APICS](#) Princeton-Trenton-Monmouth-Ocean Chapter, Columbus NJ

October 12, 2006: Minimizing Risk by Forecasting Supply Markets, [APICS](#) Monadnock Chapter, Keene NH

October 2, 2006: Is there ROI in RFID?, [Northeast Supply Chain Conference & Exhibition 2006](#), Marlborough MA

September 26, 2006: The Asian Sourcing Boom: How Long Will it Last?, [Distribution Business Management Association Annual Conference](#), Las Vegas NV

September 14, 2006: What is Your Supply Market IQ?, [Council of Supply Chain Management Professionals \(CSCMP\) NYCONN Roundtable](#), Dobbs Ferry NY

September 12, 2006: Supply Market Intelligence: What You Don't Know Can Hurt You, [APICS](#) North Shore, Woburn MA

June 12, 2006: Building a Secure Supply Chain with RFID, [Vendor Compliance Federation Supply Chain Conference](#), Teaneck NJ.

May 17, 2006: "The Logistics of Global Outsourcing," [APICS](#) New Haven.

May 1, 2006: "The New Age of Purchasing," [Purchasing Managers Association of Boston](#) Top Management Night, Boston MA.

April 24, 2006: "Managing Supply Risk," client presentation in Dharan, Saudi Arabia.

March 29, 2006: Supply Chain Benefits of Transportation Infrastructure Improvements, [Transportation Research Board \(TRB\)](#), [Conference on Transportation and Economic Development \(TED 2006\)](#), Little Rock AK

March 1, 2006: "Radio Frequency Identification (RFID) Comes of Age," Dallas, TX

February 28, 2006: "Creating Dynamic Brands in Retail/Consumer Goods," San Francisco CA

January 19, 2006: "Designing Sourcing and Logistics for Flexibility and Innovation," [Massachusetts Biotechnology Council](#), Boston Logan Airport

## References

**Selection of endorsements from LinkedIn:**



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- “David Jacoby is one of the most knowledgeable supply chain professionals I have ever met! He had an amazing depth, in multiple facets of materials management, and had consistently contributed to the profession in many ways. It is always a pleasure dealing with Dave - one of the best in the business!”
  - Kenneth B. Glasser, CPIM, C.P.M., *Global Sourcing Manager, Axcelis*
- “David Jacoby is a brilliant consultant with outstanding analytical capabilities applied to a long term vision of what matters. I've known him for more than 20 years and have seen how he shaped his company to become what it is today, a remarkable company that delivers differentiating value to its customers. I strongly recommend him and his company.”
  - Christophe Poittevin, *Software Sales Manager, IBM Software Group*
- “David and his team at Boston Strategies did an outstanding job on our supply chain strategy project at NYCHA. Their research and recommendations were thorough and data-driven. David is an expert who never stops learning and a consummate professional who focuses on providing value for his clients and his profession. **[He delivers]** great results, expertise, and high integrity.”
  - Gary Smith CPIM, CSCP, *Director of Supply Chain Operations, New York City Housing Authority*
- “As a consultant to multinational companies on supply chain strategy and performance for over 20 years, David has the rare ability and creativity to make the complicated simple.”
  - St. Claire Gerald, CSCP, *Former Director Supply Chain Management, Foot Locker*
- “David is a supply chain management expert who combines top notch analytical skills with over two decades of global experience. His counsel has been invaluable and I highly recommend him.”
  - Charles Gamble, *Senior Vice President-Client Services, Tangoe*
- “David has the ability to analyze complex problems and present solutions in a clear, concise, practical manner. His primary research is excellent and he has consistently added a welcomed level of sophistication to the field of supply chain management. I am currently using his new book in university level courses and it has been well received by my students.”
  - Richard Weissman, *Assistant Professor, Endicott College*
- “I highly recommend David for his expertise in strategy development involving global markets. His firm can work across such a diverse array of industries and deliver an insight based on incredible research capabilities and current knowledge of market conditions.”
  - Jeffrey Kearns, *Finance and Systems Manager at General Dynamics*
- “David is a top-level consultant with an outstanding capacity of synthesizing the complexity of the SCM body of knowledge while at the same time offering original perspectives. He has the right mix of academic background and hands-on experience to get the job done!”
  - Massimo Marchi, MBA, CSCP, CLSSS, *Director of Supply Chain Planning and IT, Beretta*

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- “David is a highly respected thought and practice leader in Supply chain management. He has consulted for over 20 years in Procurement, Transportation, Logistics, Manufacturing, Economics, and International Trade; and he is excellent at putting this acquired knowledge and functional experience to work solving complicated business issues. Having seen his work, heard his presentations, and read his white papers, I high recommend him and Boston Strategies in solving your business challenges and or in developing your Supply Chain Strategy.”
  - Greg Cornelius, CSCP, *Director, Supply Chain Management, Haemonetics*

Book Reviews of “Guide to Supply Chain Management”

AS OF MARCH 1, 2012

- “I never really understood what supply chain management was until I read this book. It seemed to mean something different depending on who I was talking to. Now I get it.”
- “I’m a university professor, and I am really impressed at how thorough the book is. From the preface to the glossary and the end notes, everything is well-documented, which makes the arguments and Jacoby’s framework for supply chain management trustworthy and believable. Overall, the book is a credit to the Economist brand.”
- “As a supply chain trainer and author, I am always pleased to read books that add to my knowledge and this book certainly made me stop and reflect many times = great! Let down slightly by the publishers small reproduction of the many charts and tables; overall however, this is a very good piece of work!”
- “The work sorts through some of the mythos about supply chain management and focuses on the core activities that add measurable value.”
- “An excellent guide and, a must read not only for C-level managers but also for inclusion in curricula in business studies... brilliant in explaining the myths and realities of the various elements that are critical components of the supply chain.”
- “If you are a novice to supply chain and often confused by conflicting definitions on what SCM is - and is not - read this book. If you are a supply chain practitioner and want some clear markers on designing a comprehensive supply chain strategy, read this book. David Jacoby’s experience of over 20 years of strategic consulting on supply chain initiatives clearly comes through in this well-researched piece. The book very quickly jumps into the 4 key supply chain strategies - cost rationalization, demand-supply synchronization, customization and innovation - that organizations can pursue. And highlights early on the often forgotten point that while we can classify any function within an organizational silo, activities within them cannot be similarly silo-ed if we want to derive value. For instance, we often lump DC-Network design and an initiative such as cross-docking under the



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warehousing function. But how many of us look at the former activity through the lens of cost rationalization, and the latter as an enabler of synchronization? Insights, such as this, abound. The book frames the final few chapters with details on the organization structure, information systems framework and KPIs that must supplement each of these strategies. And that is when we truly comprehend the completeness of supply chain management. My only grouse is that the book went into too much of theory and detail toward the end. Maybe it was intentional, given the wide range of audience it aims to cater to. But if you can stifle some of those yawns and plough on, you will be enriched with a wealth of knowledge on how you must design, strategize, implement, measure and enhance your supply chain.”

- “As a supply chain professional I found this book to be immensely helpful. It reduces important supply chain principles to quantifiable and applicable guidelines. A good read and a must for anyone looking to leverage value from your supply chain “
- “This is a great book that provides a concise yet thorough overview of supply chain management. It is educational and actionable – filled with well-supported arguments and excellent, illustrative anecdotes. The book is not just for supply chain professionals. It is for any business person that wants to help take their company to the next level. Having read it and written notes in the margins, I will keep it nearby as a reference guide.”
- “This book is very informative for anyone wanting to know more about supply chain management. The examples cited, as well as the charts are extremely helpful. I believe anyone can benefit from reading this book whether or not they have direct responsibility for supply chain activities.”
- “This book describes very well the ins and outs of what the Supply Chain concept encompasses. It gives an excellent global understanding and is very rich of examples from real life situations. I warmly recommend its reading.
- "An essential tool for C-level management and their senior managers. It is clear, balanced in its objectivity and useful for achieving rapid results."
- "A strategic breath of fresh air for executives who are tired of tactical how-to books on supply chain management. It provides simple, logical guidance on how companies should think about the people, processes and infrastructure they put in place to enable the supply chains that will deliver their future.
- "A pragmatic approach for turning supply chain into a strategic differentiator, along with a treasure chest of examples showing how successful companies have done it."
- "A real-world look at how leading companies are putting supply chain management into practice for proven competitive advantage. This guide definitely belongs in your business library."

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## In-Depth Book Review of 'Guide to SCM'

David Jacoby. *Guide to Supply Chain Management: How Getting it Right Boosts Corporate Performance (The Economist)*. Bloomberg Press, 731 Lexington Avenue, New York, NY 10022. Sept 9, 2009. 262 pages. ISBN: 978-1-57660-345-1. US \$29.95.

First impressions can be very misleading. At a quick glance, *The Guide to Supply Chain Management* appears to be another book geared toward grabbing the eye of the CEO. But don't be deceived; this little book packs a significant punch! There is meat in this guide, presented in a straightforward organized way as an excellent reference for CEO and supply chain student as well. It is intended to get to the core of SCM by being clear, objective, relevant, and effective and includes numerous real world examples. In great measure, this book succeeds in solidly delivering on those goals.

The author matches years of experience with anecdotes, examples, and research derived from an impressive list of corporations, professional organizations, and academics. The book starts with a short history of SCM, highlighting the key problem of balancing supply and demand. Along the way, the author examines cost, security, legislative compliance, consumer safety, and environmental protection issues in making supply chain management the "hot topic" that it is today.

The focus of this guide though is on supply chain strategy. Supply chain strategy is an evolving and dynamic activity to which specific SCM tools, techniques, and metrics must be aligned. Even the organizational positioning of the supply chain function within the firm is critical to implementing a successful strategy. There is a clear distinction between supply chain management and supply chain strategy. Supply chain management provides customer benefit through increased efficiency, reliability, flexibility, and innovation. Supply chain strategy is all about putting these principles into action. Supply chain strategy flows from the business strategy and for successful firms, requires careful consideration.

This guide integrates that strategy through a framework containing four individual sequenced strategies – rationalisation, synchronisation, customisation, and innovation.

Rationalisation is the first strategy explored, focusing on low cost competition. Among the key elements discussed are strategic sourcing and outsourcing, lean manufacturing with all its familiar tenets, and product standardization and simplification. Consignment practices, vendor managed inventory, transportation mode selection, cross-docking, by-passing inventory tiers and equipment pooling are among the many other rationalisation techniques described in the text.

The follow-on strategy is synchronisation – competing on reliability of service. Techniques such as constraint management, just-in-time inventory, the Perfect Order, Make-to-Order practices, Sales and Operations planning, and risk management are among the techniques described in synchronisation, and in most cases, illustrated with real world examples. Flowing from synchronisation is the customisation strategy or competing on customer intimacy. The guide highlights techniques such as control of the customer relationship, value analysis, and customer knowledge management and profitability management. Customisation places an

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emphasis on personal interactions and the goal of closely linking supply chain partners over time through value-adding services. Again, the author relies heavily on real world anecdotes and examples to illustrate these concepts.

The final strategy – which follows from customisation – is the innovation strategy or competing through a rapidly changing supply chain. Continuous feedback, product development, prototyping and product life-cycle management are among the practices described for successfully competing in an innovative environment. Firms that compete with innovative supply chains are identifiable not only by top tier positioning with the firm, but also by the amount of synergy and integration built into the organization.

The guide follows the strategy framework discussion with a chapter on organizing, training, and developing the staff to support each individual strategy. One of the highlights here is the linking of each supply chain strategy to the placement of SCM within the organizational structure of the firm. As strategy moves from rationalisation to innovation, the seat of the supply chain function moves closer to the top of the organization with the focus becoming more horizontal than vertical. Typical organization charts included here help to emphasize these points.

Of course, no strategy is workable without a set of enablers such as information technologies and metrics systems and the guide illustrates these using an enterprise resource planning system as the starting point. The book offers a selection of top-level corporate metrics as well as specific metrics linked to each strategy within the integrated framework. The guide concludes with an insightful discussion of the challenges for SCM in the future.

This guide covers a lot of territory, but does so in a very clear and objective manner. If the reader is looking for an in-depth discussion specific SCM techniques or strategic issues, this is not the text – there are other works that can provide that detail. But for corporate leadership or the SCM student looking to link the basics to a strategic framework, this guide is an excellent resource and would be a great addition to the practitioner's library.

Reviewed by

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